STATEMENT BY

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March 15, 2013

Madam Speaker,

I appreciate the opportunity to inform this Honourable House regarding a National Energy Policy (NEP) to create a sustainable and vibrant energy sector and address the challenges these Islands face with energy security and fossil fuels dependence.

Under the auspices of the Ministry of District Administration, Works, Land and Agriculture (DAWLA), Cabinet appointed a National Energy Policy Committee (NEPC) on 1 June 2010 to support the development of a National Energy Policy. Cabinet approved a terms of reference for the NEPC in November 2010.

Madam Speaker,

The sustainable economic development of these Islands are tied to the availability and affordability of energy resources.

NEPC members both from the private and public sectors have been working arduously to develop a policy that will be a guideline for the future decisions these Islands take in relation to energy.

The following topics were considered in the development of the NEP:

1. Construction, Buildings and Land Use
2. Electricity, Renewable Energy, Water and Wastewater
3. Petroleum Products and Transportation
4. Public Education

Madam Speaker,

The NEP is structured as follows:

Vision for the NEP

This defines the orientation towards which the Cayman Islands intends to steer its energy sector; and provides the overall setting for the NEP's Goals, Objectives, and Policies.

Vision

The vision of the Cayman Islands' energy sector to 2032 is to be an efficient, diversified energy sector, supported by informed public behaviour within the Cayman Islands, which provides secure, reliable and affordable energy in an environmentally sustainable manner.

Madam Speaker,

Goals for the NEP

These state what the Cayman Islands wants to achieve for its energy sector: decrease costs of energy (as a priority), increase environmental sustainability,

increase energy security, and contribute to economic development of the energy industry.

Goals

Through the NEP, the Cayman Islands aims at achieving the following four Goals:

1. Decrease the cost of energy for the Cayman Islands as a whole as a priority
2. Increase the environmental sustainability of the Cayman Islands' energy sector
3. Increase energy security
4. Develop and grow a renewable energy industry in the Cayman Islands

Decreasing energy costs to the country as a whole should be pursued as the priority goal, given very high costs and prices of energy in the Cayman Islands. The priority granted to decreasing energy costs to the country as a whole has three important implications:

Pursuit of technology neutrality:

The Government shall promote all and any energy technologies that allow reducing costs, as soon as they become viable and can benefit the country. Prioritizing certain technologies that are viable today shall not mean discarding once and for all other technologies that are not yet viable.

Pursuit of net economic benefits:

Where a sustainable energy policy would increase energy security, environmental sustainability, and economic development in the energy industry, but would also increase energy costs to the country, the Government shall pursue that policy only if local economic benefits exceed the economic costs—that is, provided that the

Government is convinced that the policy may lead to net economic benefits for the country as a whole.

Priority to local environmental sustainability:

In assessing the net economic benefits that a policy should create for the Cayman Islands when it achieves greater energy security, environmental sustainability, and economic development, but increases energy costs to the country as a whole, the Government shall prioritize the increase in local environmental sustainability (that is, reduction of pollution and particulate matter emitted locally) over global environmental sustainability (that is, reduction of greenhouse gases, the emission of which matters at a global, and not local scale). The reason for this priority is threefold: (i) the Cayman Islands may enjoy the entire benefits of any additional costs that it incurs to increase local environmental sustainability by reducing emissions of pollutants and particulate matter—whereas it would only enjoy a minimal fraction of benefits (if any) of reducing global emissions of greenhouse gases; (ii) the Cayman Islands is a small island country that contributes marginally to global emissions of greenhouse gases, but may suffer disproportionally high damages from the emissions of other larger countries—prioritizing global over local environmental sustainability would mean spending disproportionately to try to solve a problem that is created by far larger countries, and that is beyond the Cayman Island's control; (iii) many unrealized options are available to the Cayman Islands to avoid emissions of greenhouse gases while also achieving cost savings—it is possible for the Cayman Islands to contribute to greenhouse gas abatement in many ways while also saving money.

Raising Public Awareness of Energy Efficiency and Energy Conservation will also be a vital step in achieving the Goals of the NEP.

Madam Speaker,

Objectives of the NEP

The Objectives of the NEP shall be dynamic, not fixed. Dynamic objectives are intended to allow for appropriate flexibility in policy making and implementation. Progress against objectives shall be monitored, measured, and assessed periodically; and dynamic objectives shall be periodically updated as necessary.

In pursuing its objectives, the NEP shall be technology neutral in that it shall prioritize technologies that are feasible and commercially viable, while remaining open to supporting any technology as soon as it becomes technically feasible and economically viable in the Cayman Islands.

The Implementation Strategy and Plan includes interim objectives at five-year intervals, provisions for monitoring actual progress against the objectives set, and processes to revisit policies and objectives.

The objectives of the NEP based on today's available technologies which are viable in the Cayman Islands for the long term as compared to business as usual scenario:

- Increase energy efficiency in electricity use: 21 percent overall savings in energy use from all sectors (27 percent in electricity, 20 percent in water use resulting in 16 percent reduction of electricity for water, 16.5 percent in transportation, and no change in stationary uses)
- Increase renewable sources of energy: 13.5 percent of electricity sold generated from renewable energy sources (9 percent of all energy consumed)
- Reduce greenhouse gas: 19 percent overall reduction in emissions of CO2

The above dynamic Objectives are the result of a forward-looking model that projects demand for energy over the long term, and identifies how to meet that demand at least cost by integrating sustainable measures to generate or consume energy.

Madam Speaker,

Policies

Policies for electricity (renewable energy, energy conservation, and energy efficiency in supply and demand), transportation, fuel products, land use, and public awareness and education: these (divided into general and specific policies) identify how to pursue desired results.

Each Policy:

- Is consistent with the Goals, and helps reach the objectives
- Is flexible enough to last in time
- Includes various specific policies under it
- Leads to key actions throughout time

An Implementation Strategy and Plan will soon be developed to complement the NEP by specifying the actions and resources to put the NEP in place, and monitor actual progress against the NEP's goals and objectives.

Electricity Policies

It is the Government's policy that the electricity sector in the Cayman Islands develop according to principles of economic efficiency in cost, high quality and reliability of service, safety, and environmental protection.

The Government recognizes that renewable sources of energy may represent an economically viable way for the Cayman Islands to reduce its dependency on

imported fossil fuels, while preserving the environment of the country and contributing to reducing global emissions of greenhouse gases.

The Government also recognizes that increased efficiency in the generation and consumption of electricity (including that related to water and wastewater) represents a significant and unrealized potential to save energy, money, imported fuels, and local as well as global emissions.

Considering the above, it is the Government's policy to:

1. Maintain and improve utility regulation for renewable energy
2. Improve permitting and planning for renewable energy
3. Promote the investigation of utility scale renewable energy potential
4. Support consumer owned renewable generation
5. Maintain and improve utility regulation for energy efficiency
6. Ensure increased energy efficiency of new facilities and major renovations
7. Support energy efficiency retrofits of existing facilities
8. Consider undergrounding utility lines to enhance energy security
9. Maintain and promote efficiency and conservation for water and wastewater.

Transportation Policies

It is the Government's policy that the transportation sector in the Cayman Islands develop in a safe, energy efficient, and environmentally sustainable way; and that transportation flows be optimized to reduce congestion and increase good service to the population.

The Government recognizes that the transportation sector represents a major unrealized potential for energy efficiency and conservation.

Considering the above, it is the Government's policy to develop a National Transportation Plan that will:

1. Encourage the purchase of more fuel efficient vehicles
2. Consider a prudent encouragement of alternative fuel transportation
3. Encourage cycling as an alternative mode of transportation
4. Encourage walking as an alternative mode of transportation
5. Increase traffic efficiency
6. Improve parking efficiency
7. Improve public transportation.

Fuel Products Policies

It is the Government's policy that fuel products be imported and used in the Cayman Islands according to economic efficiency, security of supply, public safety and health, and environmental sustainability.

The Government recognizes that imported fossil fuels are likely to represent the major primary energy resource for electricity, transportation, and stationary uses of energy in the Cayman Islands for the foreseeable future. The Government also recognizes that the Cayman Islands' potential for using cleaner fuels, both fossil-based and not, may be limited due to current and foreseeable economic or technological conditions.

Considering the above, it is the Government's policy to:

1. Ensure sustainable handling, storage, and off-island disposal of waste oil
2. Ensure a secure, reliable, and competitive supply of petroleum products

3. Indefinitely postpone any assessment of the viability of nuclear energy for power generation
4. Ensure quality of aviation jet fuel and kerosene
5. Carefully consider the viability of Heavy Fuel Oil.

Land Use Policies

It is the Government's policy that land use in the Cayman Islands be optimized to contribute to overall efficiency in energy use and energy conservation.

The Government recognizes that land use represents a key potential to for ensuring the NEP's Goals. Therefore, it is the Government's policy to:
1. Encourage zoning diversity and mixed use development
2. Increase the efficiency of commercial and industrial zoning and land use
3. Increase the efficiency of residential zoning and land use
4. Increase the efficiency of hotel and resorts zoning and land use
5. Increase the efficiency of agriculture zoning and land use
6. Increase the efficiency of public service zoning and land use
7. Support the incorporation of sustainable energy measures in landscaping
8. Promote densification of new developments and proximity to major transit corridors
9. Improve connectivity between housing developments
10. Increase local and global environmental sustainability in land use.

Since zoning in the Cayman Islands is applicable only to Grand Cayman, the Government intends to optimize land use for increased energy efficiency and conservation in the Sister Islands in a way that achieves results comparable to those

of the above policies, while being consistent with the planning framework applicable in Little Cayman and Cayman Brac.

Public Awareness and Education Policies

It is the Government's policy that the population become more aware of, and educated on sustainable supply and demand of energy, in support of all NEP Goals. The Government recognizes that increased awareness and education are key to ensuring a successful achievement of the NEP's Objectives.

It is therefore the Government's policy to:

1. Increase public awareness for informed choices on sustainable energy
2. Improve public education and professional qualifications for sustainable energy.

Public Awareness and Education Policy 1: Increase public awareness for informed choices on sustainable energy

To increase awareness among the general public, allowing it to contribute to the country's efforts to move towards a more sustainable supply and demand of energy, and to make more informed choices, it is the Government's policy to:

- Allow the public to be more aware of how it consumes energy, and what options are best suited to conserve it and use it more efficiently to save money

- Ensure that the public is effectively informed of all incentives, programs, and initiatives in place to support sustainable energy, and that it is actually able to participate in and benefit from them
- Adopt the Communications Strategy to inform the public about the NEP, obtain their feedback at pre-implementation stage, and disseminate it at implementation stage
- Adopt a Public Awareness Plan under which the following public awareness tools are to be developed and implemented, or improved as needed when already existing:

  – Energy labeling for energy-consuming appliances (including requirements for display at retail stores) and equipment (including vehicles)

  – Web-based resources by Government, public service utilities, and other entities

  – Printed, radio, and television media campaigns

  – Public outreach events—seminars, workshops, and town hall meetings

  – Information about energy efficient commuting options (carpooling, public transit, walking, biking)

  – Bicycle safety

  – Driving efficiency techniques for reduced diesel and gasoline consumption

  – Benefits of mixed-use development and denser zoning

– Efficient building design and landscaping (through a sustainable design guide)

– Water conservation (water saving appliances, low water consumption landscaping, rainwater harvesting)

– Solid waste collection and disposal (waste reduction, recycling)

– Handling and disposal for collectors of waste oil to avoid contaminations and ensure compliance with international agreements.

Public Awareness and Education Policy 2: Improve public education and professional qualifications for sustainable energy

To educate citizens and form professionals that are competent and skilled for energy-related services, it is the Government's policy to:

- Ensure that primary education covers basic information regarding energy efficiency and conservation, through teaching as well as empirical observations and practical examples
- Ensure that individuals who want to work in energy-related fields may acquire satisfactory knowledge and skills to do so successfully through secondary and tertiary education or vocational training, in cooperation with the University of the Cayman Islands and other entities

- Adopt a Public Education and Professional Strengthening Plan under which the following would be implemented:

  – A gap analysis for curricula at primary, secondary, and tertiary education entities

  – Updating of curricula based on the results of the gap analysis

  – Workshops for primary, secondary, and tertiary level education to introduce sustainable energy topics in existing coursework

  – Laboratory facilities and training equipment

  – Establishment, as needed, of new vocational colleges or polytechnics

  – Scholarships and incentive programs

- Adopt certifications informing consumers about the qualifications of professionals in energy-related fields. External certifications may be recognized, or local ones developed (including vocational qualifications) if necessary

- Review licensing requirements for local professionals to ensure that they have the necessary skills to carry out dangerous activities without putting the health and safety of the population or the environment at risk.

Madam Speaker,

In closing, the net benefit to the Cayman Islands (the difference between fuel savings and increased capital costs) is estimated to be CI$ 168.1 million over the period 2010-2030. Also the NEP scenario is expected to lead to a projected 19 percent reduction in energy sector CO_2 emissions over the period 2010-2030.

Thank You