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### **Panama Energy Roundtable: Energy & the Martinelli Government September 25, 2009 – Panama City, Panama Brief Summary Report**

The cost of electricity has long been a critical issue for Panama, and with the recent campaign and election of Ricardo Martinelli it has emerged as perhaps the preeminent topic in his young administration. Indeed, Martinelli campaigned heavily upon the theme of reducing the cost of living and honed in on the impact of soaring energy costs on the bottom line of most Panamanians.

The attention and interest in the proposals being developed by the new administration -- measures the government claims will reduce electricity prices by up to 30% and that include a reconfigured market model to avoid spot market price surges, as well as reviewing current Power Purchase Agreements (PPA's) and promoting renewable energy development -- were at the center of the Institute of the Americas' one-day Panama Energy Roundtable on September 25<sup>th</sup> in Panama City.

Underscoring the government's attention to the topic and desire to engage in serious dialogue, Secretary of Energy Juan Manuel Urriola delivered an opening keynote address and subsequently participated in a dynamic question and answer session with the more than 125 participants in attendance.

Throughout the course of Secretary Urriola's remarks and responses to dozens of questions posed by the audience, he maintained the aforementioned desire to tackle the issue of electricity costs -- and noted that costs had risen again in July after President Martinelli took office.

But the devil is in the details and Secretary Urriola readily admitted that the details are under development. Yet the message from the new administration showed their intent to deliver upon campaign promises all the while finding the right balance between populist measures and maintaining the private investment that is so critical for not just Panama's energy infrastructure but also consolidating economic growth.

During the campaign, Martinelli, a supermarket magnate, spoke directly to the issue of the supply-demand imbalance in the electric sector and how it was not serving the interests of Panama. He alleged that electric generators had driven up prices while the country's electric distribution companies also had impaired the supply-demand outlook by not investing sufficiently in their services and thus not providing adequate service to their customers, the citizens of Panama.

On the heels of stern announcements aimed at the energy sector by the Martinelli government in August and early September, the openness and participatory stance of Secretary Urriola at the Energy Roundtable was an important signal to the energy and private investor community. The new administration had been roundly criticized for what were viewed as populist and short sighted unilateral measures vis a vis the electric sector, including the proposal of a heavy handed water tariff aimed at hydroelectric projects. Instead, Secretary Urriola emphasized that while revisions were deemed necessary by the government, the policy prescriptions were not final, and the government was eager to discuss the most sensible way forward in concert with the myriad players in the sector.

Specifically, Secretary Urriola said that the process for developing adjustments to the electric sector are not oculto, that is the government is open to and welcomes debate as the new administration endeavors to solve the age-old challenge of moving an issue of great importance from campaign promise to successful policy.