



Industry Opinions for Vote at AGM 2015, Amsterdam

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GOGLA Opinion on Tracking Energy Access

Background

Before being able to track how many (additional) people have access to energy, one needs to define what “access to energy” means. For a long time, energy access was measured in binary categories: either a household was connected to the electric grid and thus had energy access; or it was not connected and would thus fall into the category “no energy access”. This approach misses the fact that many households that are connected to the grid still do not have sufficient energy available to run basic appliances due to poor quality of services. On the other hand, households may have access through emerging off-grid approaches, including pico solar, household systems, access to a local grid linked to a generator or a solar mini-grid. The binary approach clearly fell short of capturing the realities of many households and thus providing useful feedback for policymakers and enterprise.

To address the needs of a broad set of stakeholders and to allow a comprehensive tracking of their goal of universal energy access by 2030, the SE4All program has developed a global tracking framework. To capture electricity access, five tiers of access have been proposed: households that have sufficient electricity for task lighting and phone charging (for example through a portable solar lantern) fall into tier 1; households with general lighting and a TV as well as a fan (if needed) fall into tier 2; anything above falls into categories 3-5, with five being the equivalent of full electricity access.

Global Tracking Framework Tiers to Count Electricity Access

Tier 1	Tier 2	Tier 3	Tier 4	Tier 5
Task lighting and phone charging	General lighting, and TV, and fan	Tier 2 and any low power appliances	Tier 3 and any medium power appliances	Tier 4 and any high power appliances

(Source: SE4All Global Tracking framework)

GOGLA Position

The members of GOGLA hold the view that nuanced, harmonised and consistent tracking and comparability of progress across countries and regions is important. Therefore, all stakeholders in the sector are encouraged to use the methodology and definitions as outlined in the Global Tracking Framework. As part of their efforts to harmonize impact reporting, GOGLA and its members commit to use the Global Tracking Framework when reporting the contribution of the industry to the goal of universal energy access and to cooperate whenever possible with the SE4All secretariat on the provision of data.

Recommended Action

It is recommended that all stakeholders measure their impact with regards to energy access and to rely to this end on the definitions and metrics of the global tracking framework. Only if all stakeholders use the same metrics, overall progress can be tracked appropriately. Energy access programs should use the framework to assess the potential and monitor the impact of projects; governments should build their policies on energy access on the multi-tier framework; and companies should report their impact by using the global tracking framework methodology.

Further Reading

SE4All (2013): Global Tracking Framework http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2013/05/28/000112742_20130528084417/Rendered/PDF/778890GTF0full0report.pdf



GOGLA Opinion towards the Use of Public and Donor Funding in the Off-Grid Lighting Industry

Background

Public and donor funding (including funding provided by multilaterals or bilateral donors that is channeled through national governments, NGOs, or development programs) in the off-grid lighting industry is often used with the good intention of accelerating the adoption of clean and efficient off-grid lighting technologies. However, it can have both positive and negative impacts. Its use should always be designed carefully.

Industry Position

The members of GOGLA hold the view that broad and sustainable adoption of solar off-grid lighting is best served by a competitive and open market approach. With this goal, GOGLA's views public and donor funding in the following way:

Carefully designed, it can have a positive impact: Public and donor funding can play a transformative role in facilitating market development, for example by subsidizing industry-wide needs such as the development of quality standards or mass consumer education campaigns, or providing opportunities for consumers to see the benefits of solar light directly. These activities are necessary for market development, and serve to broaden adoption.

Poorly designed, it can also have a negative impact: Public and donor funding that is used for direct retail price subsidies to consumers pose a significant threat to sustainable, competitive market building. Systematic reductions on retail prices, and especially free give-aways, signal to consumers that they do not need to pay full retail price—or pay at all—for these goods, and consumers will accordingly hold out for reduced-cost or free goods in the future, regardless of whether they will ever come. While there may be a short term benefit for selected users, these reductions or give-aways will result in such adoption being less likely to be sustained and broader adoption of solar off-grid lighting being significantly hampered.

Recommended Action

Instead of using public and donor funding for direct retail subsidies or free-give-aways, it should be channeled to activities that support a sustainable market development and sustained adoption of clean and efficient lighting technologies. Direct retail price subsidization of goods that could otherwise be marketed and purchased through sustainable, competitive business models—often those that create jobs and income in the same communities—is a poor use of public and donor funding. Available public and donor funding should be used for activities that have a positive impact on a competitive and open market.

There are limited times where free give-aways are useful and do not have a long-term negative impact on the market and thus on broad and sustained adoption of solar lighting. This would include emergency disaster relief situations where utilizing public and donor funding for free give-aways of solar off-grid lighting can be beneficial, but do not serve to establish consumer expectations of free goods in the future once recovery from the emergency has occurred.

GOGLA Position towards kerosene subsidies

Background

In developing countries with low electrification and inadequate energy supply, the cost of energy is an economic burden on all people, but especially on those already trapped in a vicious energy-poverty cycle. Several tools and initiatives have been developed in response to broad public agreement to address this inequity. Subsidized kerosene, with the aim to reduce energy cost for low-income households and business user, is one of them.

Considerable funds are allocated for this purpose: the annual global cost of subsidies across the entire energy sector (coal, natural gas, petroleum fuels, and electricity), including negative externalities, reached \$1.9 trillion in 2011 or 2.5% of global GDP. Petroleum fuel subsidies alone amounted to US\$879 billion (IMF 2013).

Fuel subsidies are routinely criticized for failing to achieve intended goals by not reaching the poorest consumers. According to the International Monetary Fund (IMF), the richest 20% of households in low-and middle-income countries capture six times more in total fuel product subsidies (43%) than the poorest 20% of households (7%). (IMF, 2013)

Additionally, fossil-fuel subsidization inflates true demand through artificially low prices, which inadvertently distorts markets, impedes progress towards more efficient and cleaner solutions, and runs contrary to sound environmental and human health policies. The IMF estimates that removing fossil fuel subsidies could lead to a 13% decline in CO₂ emissions (IMF, 2013).

Industry Position

The members of GOGLA hold the view that kerosene subsidies exacerbate existing energy inefficiencies. Subsidies on lighting fuels slow the progress of market mechanisms that have already begun to introduce better alternatives, for example solar lighting systems that offer safer, more reliable, and more economical long-term solutions, by eliminating recurrent operating costs altogether. The market prospects of unsubsidized incumbent technologies like off-grid solar-lighting systems are undercut if they are placed in competition with subsidized fossil fuel-based lighting.

Subsidies also represent high costs to governments, competing with other social funding needs like healthcare, education or infrastructure, where a higher potential for social development is possible. Even though current kerosene subsidy levels indeed have a downward (but unequal) effect on the direct cost of lighting to consumers, the total costs to the general public—inclusive of negative externalities—are significantly higher than those of more efficient and unsubsidized alternatives.

Recommended Action

GOGLA recommends a gradual reduction of subsidies and a redirection of resources saved into social services of the governments since an immediate and complete elimination of subsidies on kerosene would translate into a direct increase of lighting costs for energy poor households and small businesses. Simultaneously the transition to sustainable, modern off-grid lighting should be fostered, by creating awareness and opportunities.

Sources / Further Readings

IMF. 2013: "Energy Subsidy Reform: Lessons and Implications". International Monetary Fund

UNEP. 2014: "Lifting the Darkness - Effects of Fuel Subsidies". United Nations Environment Program

GOGLA Opinion on VAT and Import Duty Settings for Off-Grid Lighting Products and Solar Home Systems

Background

One of the main market barriers for the off-grid lighting industry is the high upfront cost of renewable technologies such as a solar home systems to consumers, even though these products are far more economical in the long run than the current market leaders—namely kerosene. Solar lighting eliminates many negative externalities from using kerosene for lighting and can offset kerosene expenditures in a matter of months, for several years' worth of expenses. Yet in many key markets throughout the developing world, VAT rates and tariffs on solar products significantly inflate end-user costs, thereby undermining the ability of the off-grid lighting and appliances industry to compete with traditional means of lighting and electrification. Historically, tariffs and VAT for off-grid lighting solutions in some markets have constituted more than 40% of retail prices; these policies place pico-PV products beyond the purchasing capability of many who stand to gain the most from their use.

Industry Position

Aligned with the widespread consensus among experts and policymakers, GOGLA members hold the view that long-term VAT and tariff exemptions on clean and sustainable off-grid products and the needed spare parts for their maintenance will benefit market-building efforts as well as increase the range of quality, affordable options available to consumers. Exemptions will be passed on to the end-customer and thus significantly lower the retail price of products. By exempting solar products and their spare parts from VAT and tariffs, governments can contribute to a more level playing field and support sustainable local market development for renewable off-grid lighting solutions. Examples like Kenya or Tanzania show that VAT and tariff exemption have proven to be very effective to accelerate market development.

GOGLA members acknowledge the desire for governments to protect the interests of local manufacturers and businesses through trade policy. By exempting off-grid lighting products from VAT and tariffs, governments can accelerate the market demand that makes local manufacturing economical while simultaneously supporting market development that expands choice for end-users.

In turn, governments can benefit from reduced spending on subsidies as well as the creation of new jobs. Avoided negative externalities, overall socio-economic development, and reduced spending on kerosene subsidies will have a strong positive impact on government revenues. For instance, in the ECOWAS region, kerosene subsidies amount to an annual USD 25 per capita. A faster uptake of solar products for lighting would significantly lower the purchase of kerosene and thus government spending on subsidies. UNEP estimates that for every one million dollars spent by governments on kerosene subsidies, tariffs for 250,000 solar lanterns could be off-set (UNEP 2014a). An accelerated market growth would also boost job creation: only in West Africa, 50,000 additional jobs could be created in the field of off-grid lighting (UNEP 2014b).

Recommended Action

To ensure that as many people as possible can benefit from solar lighting technologies, GOGLA recommends following the model of prudent national governments such as Kenya and Tanzania, and adopting a long term zero VAT and tariff policy for solar products and their component parts.

Further Readings / Additional Sources

SolarAid (2014): Impact Report 2014.

UNEP (2014a): Lifting the Darkness on the Price of Light / UNEP (2014b): Light and Livelihood

Mills, Evan. (2005): "The Specter of Fuel-Based Lighting." *Science*, Vol 308, Issue 5726, 1263-1264, 27



GOGLA calls on Governments, Policy Makers and other key Decision Makers to support Quality Products and Quality Assurance (*Vote Subject to BoD approval*)

Background

Off-Grid Lighting plays a key role in fostering sustainable development of the Off-Grid Energy market especially in developing countries. Advances in LED lighting and battery technology, coupled with innovative electronic solutions have the potential to accelerate access to energy for millions of off-grid people and communities, enhancing their quality of life and creating new opportunities. On the other hand, poor quality and counterfeit products undermine confidence in the industry, increase costs for the consumer, generate unnecessary e-waste and jeopardise the overall opportunity for sustainable solutions. To overcome these challenges, the joint effort of all involved stakeholders, including industry, governments, policy makers and aid organizations, is required to ensure a coherent approach and long lasting success.

Industry Position

The Off-Grid Lighting industry represented by GOGLA believes that an effective, harmonized, and affordable means of assuring product quality, with corresponding efforts to inform and raise awareness are key success drivers for the development of a sustainable Off-Grid Lighting market. The work of Lighting Global (formerly Lighting Africa) over the last few years to produce a Quality Assurance framework, now adopted as an IEC Technical Specification, has been a major step towards this becoming a reality. The framework defines test methods, quality, warranty, and safety standards, and “truth-in-advertising” performance requirements. In addition, it defines consumer facing reporting requirements for warranties and selected performance indicators. By using independent third party testing, products are subjected to transparent and reproducible verification. The view of GOGLA is that this standard should now be adopted as the common standard by Governments, Policy Makers and other parties committed to driving the adoption of sustainable Off-Grid Lighting solutions. From the consumer’s perspective this approach provides security, transparency and confidence in a growing market and reduces the cost of robust, high quality products. For Government and Policy Makers committed to enabling Lighting and Energy access, it facilitates faster deployment by reducing the overhead costs for producers, simplifying administrative procedures and accelerating market penetration. However, where governments reject this approach and require their own or additional domestic laboratory testing, the consequences are likely to be significant costs and delays in accessing markets for producers which would then be passed on to consumers. In contrast, widespread adoption will facilitate the continuing development of the standard as markets, product and enabling technologies evolve.

Recommended Actions

Governments, Policy Makers and Decision Makers committed to enabling Off-Grid Lighting and Energy access should adopt a single set of harmonized requirements. The QA framework and IEC technical specifications developed by Lighting Global and GOGLA should be the basis for this without exception. Provided that testing is carried out at a qualified laboratory to the appropriate technical standard, e.g. IEC TS 62257-9-5 in the case of pico-solar products, there should be mutual acceptance of test results. Lighting Global Verification Letters or other similar and verifiable documentation should be uniformly accepted as proof that a product has met the requirements. Policy Makers, Governments and Aid Organizations should invest in market development by raising awareness of the QA framework developed by Lighting Global and GOGLA. To accelerate market deployment and access to energy, products that have been independently verified as conforming to the harmonized requirements, should be relieved of all duties, tariffs and VAT that are normally levied.

GOGLA Position on Role of Public Funding to Mobilize Investment for Access to Energy

Background

According to the projections of the International Energy Agency (IEA), fulfilment of the Sustainable Energy for All target of universal energy access by 2030 requires that the major part (64%) of new investments in electrification is to be provided by distributed energy projects¹. This recognizes that distributed energy is the fastest and most economically efficient route to provide energy services to the lowest-income population.

Renewable energy sources are now generally the most economic forms of distributed energy access. Coupled with the fact that distributed energy solutions are the most promising route to serve energy access needs of poor and vulnerable communities, they should therefore also be central elements of 'north-south' financing of *inclusive* climate mitigation and adaptation strategies

Following this line of reasoning, promoting off-grid and mini-grid solutions should be high on the agenda of development institutions. In practice, most donors and multilateral development banks (MDBs) (including the World Bank, Inter-American Development Bank, Asian Development Bank, and African Development Bank) are spending only a small fraction of their budgets for energy access and climate financing on the promotion of distributed energy. Besides limited spending, there are also very limited facilities and programs that enable actors in distributed energy services to access development and climate financing.

Industry Position

The members of GOGLA hold the view that public funding for energy access, including both development financing as well as international climate financing, should be used where it is most efficient and effective in reaching poverty reduction and climate objectives. Consequently, donors, development finance institutions and MDBs should vastly increase the amount of public funding for distributed energy access projects, and create the framework programs and facilities that enable this. At the same time, public funding institutions should develop strategies to encourage energy access investments by other actors, such as commercial investors. They should use their capacities to help create enabling business environments in the countries and achieve large-scale impacts.

Recommended Action

GOGLA recommends the public finance and development sector to undertake the following actions, aimed at improving the access to finance for the off-grid lighting and electricity industry, and achieving universal energy access by 2030. MDBs, donors and development agencies need to:

- Establish dedicated framework programs and facilities that enable significant increases of public funding into the sector, in balance with the relevance of distributed energy solutions to contribute to energy access.
- Collaborate with commercial banks and investors to mobilize financing through a wide range of financial products. Public financing (development as well as climate financing) should be allocated to leverage the available and potential commercial financing by absorbing investment preparation and transaction costs; de-risking investment; and reducing the cost of (commercial) capital.

¹International Energy Agency (2011). World Energy Outlook 2011. Available at:

<http://www.worldenergyoutlook.org/publications/weo-2011/>

Distributed energy defined as [minigrids and decentralized off-grid electrification]

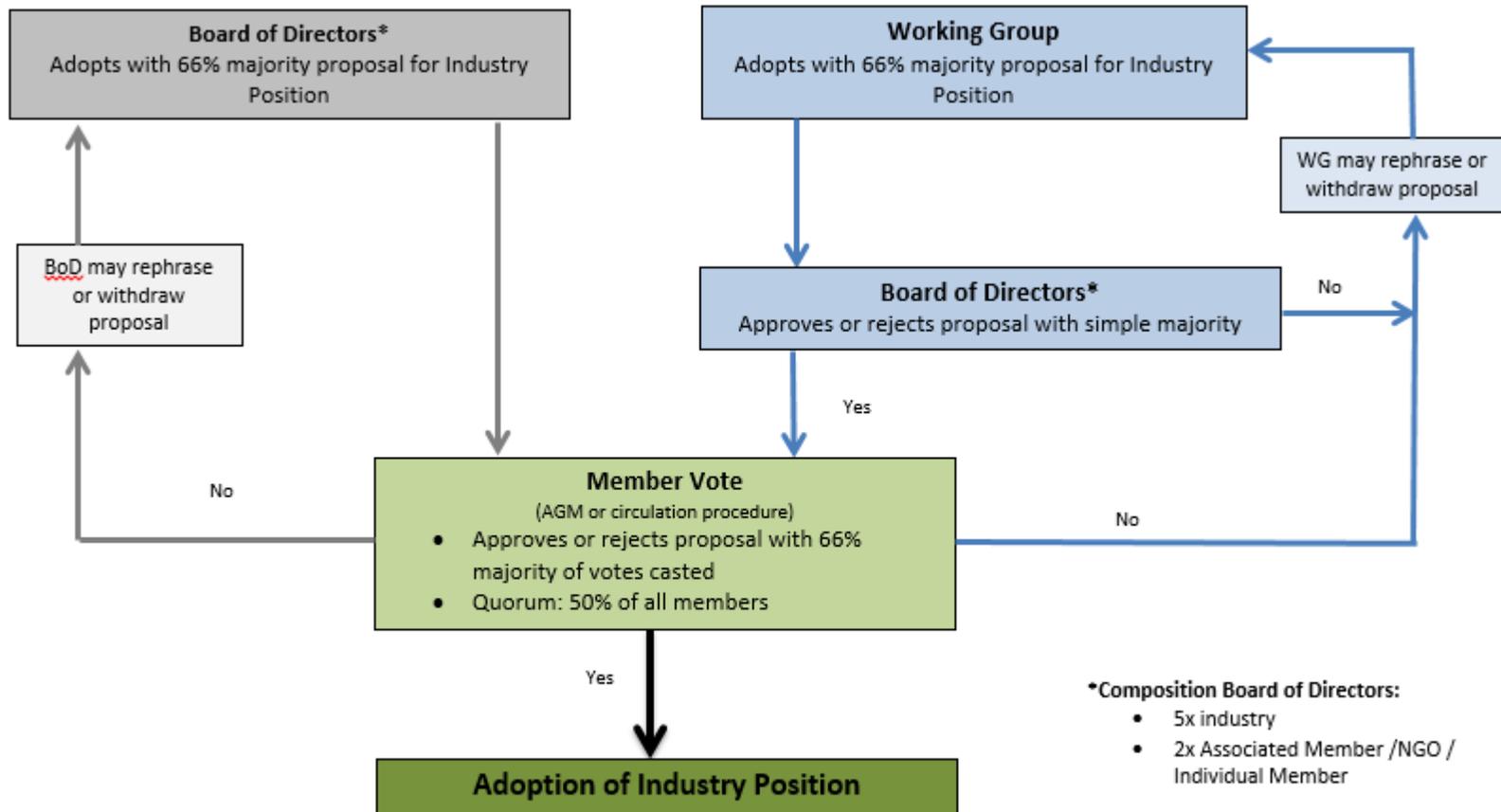
- Support long-term capacity building for off-grid sector at national levels. In early stages of market development, the focus should be on demonstrating early successes. Where markets have evolved beyond initial stages, public funding should not be reduced but instead 'move gears' and focus on strengthening the sector capacity as a whole rather than supporting individual businesses. Aid agencies should collaborate with other actors (such industry organizations and investors) to advice governments on creating the right enabling environment to develop the sector and attract more investments.

Further Readings/Additional Sources

Investment and Finance Study for Off-Grid Lighting, A.T. Kearney (2014)

Failing to solve energy poverty, Sierra Club and Oil Change International (2014)

Annex: Decision Matrix for Industry Position



***Composition Board of Directors:**

- 5x industry
- 2x Associated Member /NGO / Individual Member

In case no candidate from NGO/ Associated/ Individual Member nominated, member with next highest vote will be elected.