



Summary of the subsidy reform process and lessons learned

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Workshop: International Experience on Energy Tariff Reforms

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The path towards energy tariff subsidy reform

- **Restructuring energy sector** – improve accountability, enable TPA pave the way for future market-oriented sector
- **Quantifying energy subsidies** – conduct cost of service study and estimate level of subsidies
- **Setting a subsidy phase-out plan** – gradual phase-out of subsidies and introduction of cost-recovery tariffs
- **Analyze impact on households** – especially vulnerable customers, who are disproportionately affected
- **Communicate objectives** – to households, policymakers and industry

Lessons learned (1/2)

- Improved stability and predictability of the tariff framework supports efficient sector development
- In most jurisdictions, the tariff reform process a gradual one – implementing a gradual phase-out is key
- Division of responsibilities important, especially between government, market participants and economic regulation

Lessons learned (2/2)

- Design a targeted vulnerable-customer support scheme to help those who breach a pre-set affordability threshold
- Gradually introduce incentive-based regulation (impute efficiency expectations)
- Effective communication is key – explain the reasons behind the tariff reform to policy-makers, industry, businesses and customers

**THANK YOU
FOR YOUR ATTENTION!**

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