

## Electricity safety iraq

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The decade-long electricity crisis has severely damaged the competitiveness of Iraqi industry and agriculture, imposing a significant social and economic burden on normal Iraqis. Citizens in dire need of electricity have been forced to pay for the output of expensive private generators. Poorer households, lacking funds to cover generator costs, have endured long hours of blackouts.

Clearly, the restructuring of the Ministry of Electricity (MOE) and its personnel--more than 100,000 employees are on the ministry's staff--is long overdue as the government strives to improve the service and meet future demand. Draft legislation to reform the sector has been on the parliament's agenda since 2010, but has not yet been adopted. This is due in part to the complexity of the issue, but also as a result of fears of another political fiasco should disagreements arise among various parliamentary blocks. As a result, the draft act has been left in limbo, unlikely to pass before the parliamentary elections next month.

The minister for electricity, Karim Aftan al-Jumaili, highlighted this role during a recent Dubai conference on Iraqi energy. He outlined a number of investment projects which would bolster Iraq's electricity-generating capacity from 12,000 megawatts (MW) now to 20,000 MW by 2015. According to his presentation, this would require more than \$75 billion worth of investment. The government expects some of this to come from private investors. Funding the MOE imposes a heavy financial burden on government finances: support for the ministry totals \$9 billion (6.5 percent of the overall budget) per year, hindering spending on other crucial sectors, including social security, housing, health and education.

While the draft legislation's proposals for involving the private sector are economically feasible, effective privatization needs an independent electricity regulatory authority in order to guarantee a fair, effective and transparent market. Beyond this, there is also the need for a strategy to frame the deregulating process that combines short-term practical measures to combat shortages and long-term policies which plan for a stable, reliable electricity supply for Iraqi citizens.

The extreme polarization of Iraqi political life has expanded beyond security matters, affecting core debates over economic and social development. As the sectarian allegiances of Iraqi lawmakers have hardened since the end of civil unrest in 2008, it is unlikely that any reform effort would gain a majority consensus among the various political blocs. Any such efforts would be subject to hard-hitting negotiations among the lawmakers.

Even if the Cabinet and parliament secure agreement on the adoption of the proposed new legislation,

bureaucratic difficulties have in the past hindered implementation due to resistance from the strongly hierarchical structures of the government's departments and the nature of Iraqi legislation. Framework laws such as the Draft Electricity Act, for example, would typically require further implementing legislation in order to make practical changes on the ground, providing yet another opportunity for political debates between the ministry, the council of ministers, and the parliament. So any true reform would have to run a gauntlet of competing political and economic interests.

Such a plan needs to be outlined in a comprehensive legislative and regulatory framework with adequate institutional set-up. Legislative draftsmen need to identify medium- to long-term policy objectives along with means of implementation, taking into consideration future needs across various sectors of the economy. This strategy should be developed through a process of consultation with all major stakeholders, including the council of ministers, parliamentary committees, provincial councils and experts, with clear deadlines for deliberation and implementation.

The experiences of key developing countries in electricity sector reform confirm that governments with weak institutions tend to have poor records of implementation, despite ambitious agendas for reform. In Iraq, identifying technical requirements for electricity reform is only the start of the solution - and even these the various technical options for electricity reform are not clearly stated in the draft act. The process of translating technical plans into politically acceptable measures requires agreement on the overall strategic objectives of reform.

A realistic, long-term solution to Iraq's electricity problem will need to incorporate political concerns and the expectation of the various stakeholders. Despite these apparent difficulties, though, there are encouraging signs of support for reform efforts.

First, there is a relatively high percentage of the population willing to pay a higher price for electricity &#8211; provided quality of service improves along with it. Although the draft act is vague about capping the billing tariff for low-income families, which represent 20-25% of the population, this presents an encouraging sign for phasing out existing heavy subsidies.

Second, the timing of the phases of electricity reform is critical, especially when the issues of privatization and increase in tariffs are addressed. The timeframe for a comprehensive sector reform usually runs long, between five and 10 years, and generally takes even longer in the Middle East. The highest policy priority in the electricity sector should be rebalancing the structure of tariffs, realigning prices with underlying costs over the next 10 to 15 years. This will partially restore revenue adequacy and generate internal funds for capital investment, while working to eliminate poorly targeted and inequitable subsidies.

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Web: <https://www.kary.com.pl/contact-us/>

Email: [energystorage2000@gmail.com](mailto:energystorage2000@gmail.com)



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WhatsApp: 8613816583346

