



Water Investment Forum
ملتقى الاستثمار في المياه

Water Investment Forum, Riyadh 2016

FOURTH SESSION:

LEGAL AND REGULATORY ENVIRONMENT FOR THE KSA WATER SECTOR

09:00 – 10:30

- Investment regulations in the KSA
- Legal and regulatory framework in the KSA water sector
- Investment regulations in the KSA water sector

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Presentation Overview

- **Legislation**

- Context – Vision 2030
- Coherence – Scope of National ‘Water’ Objectives & Governance

- **Regulation**

- Vision 2030 Objective - PRIVATISING GOVERNMENT SERVICES

“We will seek to shift the government’s role from providing services to one that focuses on regulating and monitoring them and we will build the capability to monitor this transition. (Page 45)

- Role of Markets & Market Structure & Rules Vs Reliance on Contracts
- Definitions: Privatisation & Corporatization
- Independent Regulation – Transparency & Accountability (to whom?)
- Key Issues: Subsidy, Efficiency, Water Gap and COMPETITION.....

Legislation (1) Vision 2030

Vision 2030 articulates some specific objectives relevant to today's discussion of Water Sector Investment & Regulation¹:

- Business Environment, Restructure our Economic Cities, Create Special Zones and DEREGULATE THE ENERGY MARKET TO MAKE IT MORE COMPETITIVE; (Page 51)
- THE REGULATIONS REVIEW PROGRAM..... “We will continue to review all laws to ensure they are in line with the Kingdom’s priorities” (Page 81)
- IMPROVING THE BUSINESS ENVIRONMENT... “We will apply international legal and commercial regulations strictly and create a business environment conducive to long-term investment. (Page 50)

¹ Source: Vision 2030

Legislation (2) NTP & 2016 Initiatives

Water Sector Legislation will need to provide coherence of water related responsibilities across multiple authorities, as stipulated in:

1. National Transformation Plan:

- MINISTRY OF ECONOMY AND PLANNING – Objective #4 (Water & Electricity Subsidy)
- MINISTRY OF ENVIRONMENT, WATER & AGRICULTURE - Objectives #10 #11 #12 #13 #15 #16

And

2. National Transformation Plan – Initiatives Launched in 2016:

- MINISTRY OF AGRICULTURE – Initiatives 13, 22 and 23
- MINISTRY OF PETROLEUM AND MINERAL RESOURCES – Initiatives 2 and 3
- MINISTRY OF WATER & ELECTRICITY – Initiatives 1,2,3,6,7,9,12 and 13
- KING ABDULAZIZ CITY FOR SCIENCE AND TECHNOLOGY – Initiatives 17 and 23
- KING ABDULLAH CITY FOR ATOMIC AND RENEWABLE ENERGY – Initiative 6

Regulation (1)

Regulation has been assigned a clearly defined role and prominence:

➤ Vision 2030 Objective - PRIVATISING GOVERNMENT SERVICES

“We will continue to improve and reform our regulations, paving the way for investors and the private sector to acquire and deliver services – such as health care and education – that are currently provided by the public sector. We will seek to shift the government’s role from providing services to one that focuses on regulating and monitoring them and we will build the capability to monitor this transition. (Vision 2030 Page 45)

➤ Strong case for Independent Regulation – consistent with:

- **Embracing Transparency:** *“We will adopt leading international standards and administrative practices, helping us reach the highest levels of transparency and governance in all sectors.” (Vision 2030 Page 65)*
- **Promoting Competition:** *“We will open up new investment opportunities, facilitate investment, encourage innovation and competition and remove all obstacles preventing the private sector from playing a larger role in development.” (Vision 2030 Page 45)*

Regulation (2)

Regulation can and should contribute to key areas of Water Sector Policy:

- **Subsidy:** *“We will also seek to set clear subsidy criteria based on the maturity of economic sectors, their ability to compete locally and internationally and their actual need for subsidies, without endangering promising and strategic sectors.”* (Vision 2030 Page 51);
- **Market Structure, Efficiency & Competition:** decisions on market structure will determine the performance, efficiency and investment attractiveness of water sector entities. Regulatory responsibilities should include a duty to promote competition and determining and implementing market share and economic interest decisions, all consistent with government objectives and policies;
- **Level & Structure of Customer Tariffs (cost reflective & subsidised):** *regulators are well placed and have the expertise required to inform decisions about Subsidy allocation and management and Customer Tariff structures. It would be consistent with best practice to grant the regulator autonomy to determine fully cost reflective tariffs; and*
- **Water Supply-Demand Gap:** *water demand far exceeds the sustainable yield of conventional & non-conventional supply sources – the gap is projected to increase. Significant need for Demand Side Management and restructured water-Tariffs¹.*

¹ Sources: Clean Energy Business Council, MENA (2014), Water & Energy in MENA
Omar K.M.Ouda, (2014), Water Demand versus Supply in Saudi Arabia Current and Future Challenges

Conclusions

If the Saudi Arabian Water Sector is to meet the Government's stated objectives, it would be helpful to implement:

- A consistent and coherent framework of Legislation and supporting Regulations (**consistent** with the allocated responsibilities of different authorities, providing **coherence** across multiple Strategic Objectives); and
- A strong framework of **Public Interest Independent Regulation** tasked with supervising water sector activities consistent with specific Vision 2030 objectives: *Transparency, Competition, Efficiency, Private Sector Participation, Subsidy*, and other water related objectives.

These measures would be an effective way, perhaps the most effective way, to attract Water Sector Investment.

Thank You...