QUARTERLY REPORT
2ND QUARTER 2005

Gerhard Zieroth
Project Manager

PIEPSAP Project Report 27

30 June 2005

~ Participating Pacific Islands Countries ~
Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu
QUARTERLY PROGRESS REPORT

Quality Record Sheet

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Description
Quarterly Report 2nd Quarter 2005

Originator
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Name: Gerhard Zieroth
Position: Project Manager
1. Country:
Pacific Regional: Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu

2. Project Number/Code: 00032329

3. Project Title: Pacific Islands Energy Policies and Strategic Action Planning (PIEPSAP)

4. Executing Agency: SOPAC South Pacific Applied Geoscience Commission

5. Period Covered: 1 April – 30 June 2005

6. Summary of Overall Project Progress:
Government endorsed/approved work programs are in place now for Fiji, Marshall Islands, Samoa, Tonga and Tuvalu with work being undertaken on policy development, regulatory frameworks, energy sector strategies and corporate plans. Draft work programs are under consideration in Cook Islands, FSM, Niue, Solomon Islands, PNG and Kiribati with continued consultation with the partners. PIEPSAP has held national consultations in 12 countries.

7. Specific Outputs/Results Achieved (As per quarter work-plan):
In the reporting period significant progress was made in Fiji, Marshall Islands, Tonga and Tuvalu. A high profile regulatory review of Fiji’s power sector has been conducted. In the following the status of PIEPSAP is summarized for all entitled countries. Only Vanuatu has so far failed to show interest in co-operation.

7.1 Country Overview
The following table summarizes the status of PIEPSAP per country. By clicking the hyperlinks more detailed information can be obtained from SOPAC’s webpage.

<table>
<thead>
<tr>
<th>Country</th>
<th>Status</th>
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<tbody>
<tr>
<td><strong>PIEPSAP Cook Islands</strong></td>
<td>Consultations undertaken, problem analysis performed, priorities for PIEPSAP co-operation defined. Draft work program presented to government May 2005, awaiting response and endorsement</td>
</tr>
<tr>
<td><strong>PIEPSAP Fiji Islands</strong></td>
<td>Work Program under way. Draft National Energy Policy produced, several stakeholder workshops implemented. Co-operation with ADB established. DoE capacity building undertaken (Swot workshop) Regulatory review of electricity sector performed Recommendations on improvement of regulatory framework developed Second draft of energy policy under preparation</td>
</tr>
</tbody>
</table>
**PIEPSAP Marshall Islands**

**PIEPSAP Niue**
Consultations undertaken, problem analysis performed, priorities for PIEPSAP co-operation defined in the area of National Energy Policy development. Draft work program presented to government May 2005, awaiting response and endorsement.

**PIEPSAP Papua New Guinea**
Consultations undertaken, problem analysis performed, priorities for PIEPSAP co-operation defined in the area of National Energy Policy development. A draft work plan TOR for PIEPSAP assistance developed to form the basis for cooperation and collaboration between PIEPSAP and the PNG Energy Division. The TOR is awaiting endorsement by the Government of PNG. Government has not endorsed program as there is no budget to fund PNG part of program. Project progress also affected by significant delays in responses to PIEPSAP communications.

**PIEPSAP Solomon Islands**
Consultations undertaken, problem analysis performed, priorities for PIEPSAP co-operation defined in the area of National Energy Policy development. Co-operation with World Bank initiated. Draft work plan TOR for PIEPSAP assistance developed awaiting endorsement by the Government of Solomon Islands. Project progress affected by significant delays in responses to PIEPSAP communications.

**PIEPSAP Federated States of Micronesia**
Consultations undertaken in all four states, problem analysis performed, priorities for PIEPSAP co-operation defined in the area of utility tariff policy and rural electrification. Draft work program under preparation.

**PIEPSAP Kiribati**
Consultations undertaken, problem analysis performed, priorities for PIEPSAP co-operation defined in the area of fuel supply and bio fuels, co-operation with Pacific Island Forum Secretariat established. Draft work program under preparation.

**PIEPSAP Nauru**
Request for PIEPSAP assistance received from GoN, focus on energy policy development. Attachment for Energy Planner organised at SOPAC. Attachment cancelled by Nauru twice due to other commitments of Energy Planner.

**PIEPSAP Palau**
Consultations undertaken, problem analysis performed, priorities for PIEPSAP co-operation defined in the area of renewable energy and energy conservation policies and strategies with emphasis on the development of sustainable institutional structures for the existing renewable energy based rural electrification projects in outer islands and in the preparation of the European Union/EDF renewable energy projects. Draft work program under preparation.

**PIEPSAP Samoa**
Consultations undertaken, problem analysis performed, priorities for PIEPSAP co-operation defined in the area of National Energy Policy development. Work plan endorsed by the Energy Unit, awaiting formal endorsement letter by the Government of Samoa. Project progress affected by absence of Energy Planner from office. (maternity leave) Working mission scheduled for July to start work program.

**PIEPSAP Tonga**
Consultations undertaken, problem analysis performed. PIEPSAP work program endorsed by GoT. Draft renewable energy policy framework developed as a result of a multi stakeholder workshop. Draft circulated to various stakeholders in government, private sector and civil society groups. Second workshop planned to fine-tune renewable energy policy.

**PIEPSAP Tuvalu**
Consultations undertaken, problem analysis performed. PIEPSAP work program endorsed by GoT.
Work plan includes development of energy policies and strategies and action plans, training of the EPU staff in the energy planning policy formulation and project proposal formulation for funding of energy projects. First of 3 planned consultation workshops identified focus areas and produced a draft policy statements. Second consultation workshop scheduled for July. PIEPSAP work in Tuvalu has been progressing well and the commitment from stakeholders is encouraging.

PIEPSAP Vanuatu

Despite several attempts to contact GoV so far no interest expressed for co-operation under PIEPSAP.

7.2 Summary of Results achieved as per Outputs and Activities in Project Document

<table>
<thead>
<tr>
<th>Outputs and Activities for Outcome 1: Needs and Opportunities</th>
<th>Energy policy and planning needs and opportunities have been identified and prioritized</th>
<th>Results achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output 1.1: Agreement has been reached with partners on overall project activities for years 1-3, with detailed activities and priorities for the coming year</td>
<td>1.1.1 Detail the activities and implementation plan and ensure better focus, ownership and dialogue with the 14 target PICs and relevant regional organisations</td>
<td>Circulars issued, PIEPSAP Webpage operational, consultations held with UNDP Apia and UNDP Suva, ADB, EU, EUEI, NZ-Aid, PPA, SPC, EWG, GTZ Regional Forestry Project, World Bank and private sector companies. Work plan for full project life (3 years) developed</td>
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<td></td>
<td>1.1.2 Regional planning and consultative meeting held early in the first three months (i.e. quarter 1) of project</td>
<td>Meeting held with energy officials from 12 countries, and representatives from Forum Secretariat, PPA, USP, SPREP and UNDP/UNESCAP. Mode of operation and project document discussed and endorsed. Project document accepted as implementation guideline until mid-term review.</td>
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<td></td>
<td>1.1.3 Detailed year 1 overall work plan developed within Q1 of project</td>
<td>Work plan for year 2005 developed from in-country consultations and regional consultation meeting. The plan is designed as a living document that is regularly updated in line with events, dates and inputs.</td>
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<tr>
<td>Output 1.2: Overview report produced on the status of PIC energy policies and plans</td>
<td>1.2.1 Assess status of energy policy and planning needs, opportunities and constraints in the region overall (through the project and other initiatives) including coverage of individual countries</td>
<td>PIREP country reports reviewed, dialogue with countries continued, problem analysis performed for all countries in which consultations were held, recent policy papers for Cook Is, Niue, PNG, Samoa, Tonga, Tuvalu and Solomon Islands reviewed.</td>
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</table>
1.3.1 Initial national consultations completed for each PIC with aides-mémoire prepared (as required) on national mechanisms for implementation

Detailed in-country consultations held with Cook Islands, Fiji, FSM, Palau, Niue, Kiribati, PNG, Republic of Marshall Islands, Samoa, Solomon Islands, Tonga and Tuvalu. National country teams and task forces are being assembled. Agreement reached with Fiji, Marshall Is, Samoa, Tonga and Tuvalu for energy policy development and energy sector planning support. Work programs presented to PNG, Cook Islands Niue and Solomon Islands (awaiting government endorsement) Work programs under discussion for Kiribati, FSM and Palau.

Contact established with Nauru on co-operation in policy development. Mission scheduled for August 2005 to Vanuatu the only country with no contact so far.

1.3.2 Work plan for year 1 prepared and agreed for national activities

Work plan for 2005 developed and distributed.

Output 1.4: Reports on status of national energy policies and plans in each PIC

1.4.1 National energy policies and plans reviewed

Overview on energy policy and plans available, but requires further analysis and updating after national consultations in four remaining countries.

1.4.2 Assist PICs to determine, and report on, national energy policy and planning needs and priorities from the project, opportunities, and constraints.

In-country consultations in ten countries with a broad range of stakeholders from both public and private sectors resulted in the definition of energy policy and planning needs and priorities.

Outputs and Activities for Outcome 2: Policies
National energy policies have been developed and endorsed at Cabinet (or equivalent) level

Output 2.1 A flexible and practical guideline has been produced for developing PIC national energy policies

2.1.1 Provide assistance as required to the CROP EWG to review and update the policy section of the Pacific Islands Energy Policy & Plan

PIEP revised and updated, now ready for endorsement by energy ministers. Contributions made to content and form.

Output 2.2 National energy policies have been developed and adopted at Cabinet level

2.2.1 Assist PICs to prepare overall national energy policies

National energy policy for Fiji drafted and discussed with 14 stakeholder organisations. Currently under internal review by Fiji national task force. The Tonga and Samoa Energy Policy framework are also undergoing internal review by stakeholders. Development of PNG and Samoa Energy Policy ongoing.

2.2.2 Assist PICs (if required) to obtain political endorsement of the policies

Minister, Governor and CEO level consultations on policy endorsement held in Cooks, Fiji, FSM, Niue, Palau, Marshall Is, Kiribati, Samoa, Solomon Islands, Tonga, Tuvalu and PNG.

Outputs and Activities for Outcome 3: Plans
Practical national strategic action plans to implement the policies have been adopted and integrated into the government budgetary process
<table>
<thead>
<tr>
<th>Output 3.1 Overview report on suitable approaches for PICs on practical and achievable energy planning</th>
<th>3.1.1 Working with (or through) the CROP EWG, research and prepare report on approaches for practical &amp; achievable energy planning</th>
<th>PIEPP revised and updated, now ready for endorsement by energy ministers. Broad consultations held with all relevant stakeholders of CROP EWG, regular reporting of PIEPSAP progress to the EWG, exchange of information</th>
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<tr>
<td>Output 3.2 Enhanced capacity among PICs for energy policy and planning formulation</td>
<td>3.2.1 Attachments of PIC nationals at SOPAC (or elsewhere in the region) for on-the-job training in formulation of energy policies and plans</td>
<td>Training attachment and networking for Marshall Is Energy Planner successfully implemented in March. Development of ToR for rural electrification analysis developed for the Marshall Islands. SOPAC attachment planned for Nauru energy planner, unfortunately cancelled twice by GoN.</td>
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<tr>
<td>Output 3.3: Practical strategic energy action plans</td>
<td>3.3.1 Help the PIC develop energy sector action plans energy chapters of national development strategies, or other practical and achievable plans, with clear priorities, as appropriate to the national planning system</td>
<td>Review of strategic energy plan for Cook Islands under way. Preparation of Rural Electrification Strategy for Marshall Is under way. The work plan for the Tonga energy policy framework has been developed and is currently being reviewed by the national Task Force members. Tonga energy office advised on issues related to procurement of IPP wind project.</td>
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<td>3.3.2 Assist the PICs integrate the energy plans into the government budgetary process</td>
<td>Under consideration for Cook Islands, Solomon Islands, PNG, Fiji and Marshall Islands.</td>
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<td>Output 3.4: Appropriate institutional arrangements for effective energy planning &amp; implementation</td>
<td>3.4.1 Assist PICs to develop more appropriate institutional forms within the public service with clear policy &amp; planning powers and responsibilities for the office responsible for energy matters</td>
<td>Review of regulatory framework of Fiji's electricity sector performed and discussed with the Fiji energy policy task force and utility and recommendations developed to strengthen regulatory framework for Fiji power industry.</td>
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<td>3.4.2 In-country workshops with government stakeholders on need for effective energy offices</td>
<td>Workshop held on regulatory framework for electricity in Fiji. Workshop held in Tuvalu on national energy policy development Workshop held in Tonga on renewable energy policy development. Workshop for the development of the national energy policy framework planned for Samoa in the second week of July.</td>
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**Outputs and activities for Outcome 4: Mechanisms**

Practical mechanisms to implement the action plans have been developed and adopted at national level.
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<tr>
<th>Output 4.1</th>
<th>Reports in the form of case studies, guidelines and model agreements on practical mechanisms to implement PIC energy policies and plans</th>
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<tr>
<td>4.1.1</td>
<td>Prepare case studies on approaches which have been tried in other PICs and other small states indicating advantages &amp; disadvantages of mechanisms for effective control of petroleum storage, managing fuel use in ground transport, maintaining fuel quality to remote areas, establishing fuel price control systems which do not disadvantage poor and remote people, pro-poor lifeline tariffs, etc.</td>
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<td>ToR for model tariff study including lifeline mechanisms agreed upon with PUC of Pohnpei, co-financing arrangements with USA in place for tariff study. Lifeline tariff implications and modalities included.</td>
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<td>In a co-financing arrangement with USP and the SOPAC biofuel project PIEPSAP supports a research project on biofuel production in Fiji</td>
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<td>4.1.2</td>
<td>Guidelines and model agreements (for example) for calculating current subsidies (explicit and hidden) for energy services, independent power production etc</td>
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<td></td>
<td>Cross subsidies for domestic power consumers discussed with TAU in Cook Islands</td>
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<td>ToR for model tariff study in Pohnpei jointly developed with power utility.</td>
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<tr>
<th>Output 4.2: Model legal tools, regulations &amp; incentives for implementation of PIC energy policies and plans</th>
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<thead>
<tr>
<th>Output 4.3</th>
<th>Country specific case studies, guidelines and model agreements on practical mechanisms to implement PIC energy policies and plans</th>
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<tr>
<td>4.3.1</td>
<td>Assist PICs prepare case studies as in 4.1.1 for practical application at the national level.</td>
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<td></td>
<td>Regulatory review performed for electricity sector in Fiji. Practical recommendations for improvement of regulatory framework developed and discussed with key stakeholders. Wrap up workshop and final report planned for mid July</td>
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### Outputs and activities for Outcome 5: Visibility and Understanding

**Increased visibility and understanding of key energy issues at regional and national levels**

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<thead>
<tr>
<th>Output 5.1: A good understanding by regional organisations of the EWG, PICs and other relevant parties of the range of regional and national energy sector initiatives underway and planned, and opportunities / synergies arising from these initiatives</th>
<th>5.1.1 Review mandate/TOR, functions, membership and effectiveness of the CROP EWG as per the directive from the CROP (year 2003) in consultation with the current EWG members including the preparation of a report and recommendations for submission to the CROP in 2004.</th>
<th>Initiated discussion with members of the CROP-EWG for the purpose of gaining insights into the EWG's roles and how effective it has been over the years. In our discussion with the Chair of the EWG it has been revealed that members unanimously agreed that the EWG is performing an important role in the coordination of regional energy programmes. The Chair also highlighted that an internal full review of its roles/functions, memberships and activities (TOR) of the EWG was carried out by its members in early 2004. This led to a revised version being developed and subsequently endorsed by the Heads of CROP in their meeting in late 2004. The concept of having an independent review of the CROP EWG as highlighted in the PIEPSAP document may need to be reconsidered in light of the recent review and that the Heads of CROP had given its endorsement of the revised version.</th>
</tr>
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<tr>
<td>5.1.2 Provide input such as technical assistance in the areas of energy policies and strategic action planning and support to a Regional Energy Meeting (REM) of energy sector and planning / finance officials in year 2004 to the extent that it is needed, justified and practical</td>
<td>REM and PIEPSAP consultations held in Nov/Dec 2004. Results documented and discussed at EWG level.</td>
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<tr>
<td><strong>Output 5.2: Information on energy policy and planning, and effective mechanisms to implement policies and plans widely disseminated within PICs.</strong></td>
<td>5.2.1 Design and implement a regional energy website with all key reports of PIEPSAP, SOPAC energy sector databases and links to other related sites of SPREP, SPC and possibly others</td>
<td>PIEPSAP website up and running, all reports available to public.</td>
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</table>
### 5.3.1 In country workshops, seminars, media messages (radio, newspaper), etc

Several radio shows, publications, newsletter articles, environmental show Radio Kiribati on biofuels prepared. Preparation of biofuel workshop under way.

The National Tonga TV broadcast the significance of having a renewable energy policy framework during the consultation workshop held in early May.

### 5.3.2 In-country briefings of decision-makers

Briefings held in all countries where national consultations have taken place

### 8. Challenges/Issues Encountered

Although some progress has been made with respect to the four major issues described in the previous report, country ownership, long delays, problems with co-operation and exchange of information still influence project implementation. It appears in the meantime, that delays in bringing work programs to closure are not only experienced because of slow administrative processes and the lack of direct communication with the relevant stakeholders. There might also be resistance to endorse the work programs at decision making level as they touch upon critical policy issues that are considered sovereign and thus not really conducive to be addressed in the context of a regional project. It seems that the more removed interventions are from tangible policy and regulatory issues the easier it is to achieve stakeholder support for joint activities.

A related issue has been experienced in PIEPSAP’s policy and regulatory work in Fiji: The more concrete and action oriented the outputs become the more they impinge upon vested interests of some stakeholder groups. While generalised policy statements do normally not draw much criticism, the notion that stated policy may also be implemented and followed through by the establishment of an effective regulatory framework seems to agitate those who see their interest touched. On the other hand, technical support and training are typical non-controversial issues. Quite clearly, the regulatory review in Fiji demonstrated that...
each of the six main stakeholders has a different agenda, sometimes not clearly visible but nevertheless present. It became also clear that even though co-operation with multilateral agencies such as ADB is necessary and fruitful, this does not necessarily mean that objectives and approaches are automatically fully compatible and well-matched.

9. Solutions Applied (to address issues and challenges)

The issues described above are not easily resolved. One possibility is to reduce ambitions of the project. In cases when high level policy development and regulatory work is not acceptable, the project could pull back and address less controversial issues. This solution has already been applied in Tonga where PIEPSAP assists in a lower level sub-sector renewable energy policy instead of getting involved with the power and petroleum sectors where strong commercial interests are beyond the reach of the energy office. Another solution is to rigorously restrict PIEPSAP’s intervention to the role of a facilitator. In practice this may mean that the project does not even issue recommendations with respect to policy and regulatory issues but only assists as a moderator of stakeholder discussions. The outcome of such a process is of course very difficult to influence.

10. Recommendations for Future Action

Towards the end of the next reporting period special attention should be paid to evaluating the time schedules and progress in the national work programs. If it is found that progress lacks consistently behind schedule, adjustments need to be made in the project planning. It is also recommended to focus PIEPSAP activities more on these issues that are top priorities and hold the promise of success, rather than add second and third priority items to the national work programs.

11. Report Prepared By:

Gerhard Zieroth, Project Manager

Annex I

Country Activities