QUARTERLY PROGRESS REPORT – SECOND QUARTER 2007

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Project Manager

PI EPSAP Project Report 64

July 2007

~ 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

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Description
Quarterly Report 2\textsuperscript{nd} Quarter 2007

Originator
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Note:
A draft version of this report has been circulated amongst the Energy Officials/Energy Contact Points of the 14 Pacific ACP countries for comment and input.
QUARTERLY PROGRESS REPORT

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)


6. Summary of Overall Project Progress:

General
PIEPSAP progressed well during the second quarter 2007 and achieved most of the results planned for the reporting period. Highlights during the reporting period included the start of a joint policy development program with Nauru enabling the project to now deliver assistance to all 14 Pacific ACP countries. The project has progressed now to a point where vertical national integration and horizontal regional integration becomes clearly visible. The following graph shows the Solomon Island example of vertical integration of PIEPSAP activities. Policy development was followed by strategic action planning which in turn identified the need to review the electricity law and develop a rural electrification framework. At the practical project level this was then followed up by support for GIS development, a tariff review and project development activities in the area of small-scale hydro.

![Diagram showing the hierarchy of PIEPSAP activities]

- NEP
- Strategic Action Plan
- Review of Electricity Law and Rural Electrification Framework
  - GIS/MIS
  - Tariff Study
  - Mini Hydro
Horizontal regional integration is now firmly established as more countries engage in co-operation with PIEPSAP in areas where other countries have advanced with assistance from the project. Areas where regional synergies clearly could be achieved include policy development, GIS applications, tariff studies, resource assessments and project development activities. PIEPSAP also engaged in tangible co-operation with other SOPAC units such as the EU funded vulnerability project in order to maximise the benefits of cross-sectorial joint activities.

**Power Utility Support**

In line with the guidance provided in the mid term review, PIEPSAP focussed on practical measures. Based upon the methodologies developed for the tariff review of Pohnpei Utility Corporation in FSM, tariff reviews have started for TEC, Tuvalu and SIEA, Solomon Islands. The successful implementation of these high profile studies validates PIEPSAP’s approach to ensure regionality through a transfer of proven concepts across the region. The tariffs reviews clearly indicate the need for utilities in the region to improve technical and commercial performance in order to maintain and/or achieve sound financial state of affairs. The tariff reviews also showed that the significant increase in fuel cost has driven up average cost of service to all time highs for those utilities that depend to a large degree or even 100% on diesel. SIEA for instance incurs average cost of service of US$ 0.37 per KWh in 2007 if just sufficient investments are made to maintain the value of assets. Technical and non-technical losses need to be reduced at both TEC and SIEA and the tariffs reviews provide guidance where effective action to reduce these losses is needed. As both utilities also have GIS systems that can be linked to commercial billing data the utilities should now be able to improve their performance.

**Wind Energy Development**

With respect to practical project preparation measures the network of wind monitoring units has been expanded to include Funafuti (Tuvalu), Rotuma (Fiji) and Rarotonga (Cook Islands), the latter project separately funded by UNDP Samoa. PIEPSAP also procured an up-date of the WASP wind energy analysis and planning software that will allow further processing of data and detailed analysis of wind power projects. Wind monitoring systems, wind data processing capability and a comprehensive survey of available technology for small and medium size wind systems (which has been started in April 2007) will enable PIEPSAP to provide high quality project development services for those countries interested in wind energy development. While Cook Islands have decided not to use the European Union EDF 10 grant for the wind project in Rarotonga, for Tuvalu EDF 10 is still an option that can be used for renewable energy development. PIEPSAP also assisted the EU REP5 project in progressing the wind energy project in Niue that had been incorporated into the country’s energy Strategic Action Plan developed with PIEPSAP assistance. In order to provide the region with sound technical information on current technology of small wind systems and the state of the art options to maximize wind energy penetration in small networks where diesel power provides base load a market survey was carried out. This survey identified and assessed the principal modes of operation for wind turbines in systems relevant for the Pacific region including battery operated grid systems, standard grid parallel operation, high penetration and wind/diesel hybrid mode and defined requirements for wind turbines in such systems. The survey concludes that while wind energy applications in the Pacific face considerable barriers with respect to market size, variety of applications, hurricane risks and infrastructure requirements, the development of a strategic wind energy support plan is recommended for the Pacific region. Clearly, if manufacturers of wind energy equipment realize that a regional market is about to emerge more interest to supply this market can be expected. With the work already been undertaken by PIEPSAP and others such as the REP5 project, the foundations for a regional wind energy development strategy have already been created from which a strategic plan could be built. While it is beyond the scope and the resources of PIEPSAP to engage in the development of such a plan, it would perhaps be of merit to seek support for such a program. PIEPSAP will follow up on this.
Energy Policy Development
Significant progress has been made in the area of national policy development. In June 2007 Samoa became the fifth country to adopt an energy policy and strategic plan developed with PIEPSAP assistance through endorsement at cabinet level. In Solomon Islands a final policy document and strategic plan has been submitted to Cabinet and endorsement/adoption is likely to happen during the next quarter. During the reporting period it was also possible to start a policy development exercise in Nauru. The Government of Nauru has prioritised reforms in the electricity and water sectors and in the management of fuel. With this objective, it has, with assistance from the Australian Agency for International Development (AusAID) and the Asian Development Bank (ADB), developed a reform strategy to improve electricity and water services to the people of Nauru, and to reduce the drain on the economy. The principal elements of the reform strategy include demand and supply management by introducing incentives to reduce excess demand, to increase cost-effectiveness and improve maintenance and management of basic infrastructure services. PIEPSAP will support this strategy and assist with consensus building, policy advice with respect to overall energy sector development and practical implementation support in close co-ordination with ADB, AusAid and EU. In Tuvalu where the Government had already endorsed the National Energy Policy, the development of a detailed work plan will integrate activities of TEC, the Government, PIEPSAP and other stakeholders.
### Outputs and Results
#### Specific Outputs/Results Achieved (As per quarter work-plan):

The following table summarizes actual activities as compared to the planned activities per 2nd quarterly work plan in year 2007. Together with a planned/executed comparison there is a brief assessment with respect to the degree the countries’ targets have been achieved. Progress was made in all five outcome target categories with emphasis on practical mechanisms and project preparation (including tariff reviews, resource assessments, and feasibility studies). Visibility and understanding of energy issues was increased through propagation of PIEPSAP at the Pacific Energy Ministers Meeting and Regional Energy Meeting (REM) in April 2007 in Rarotonga, Cook Islands.

<table>
<thead>
<tr>
<th>Country</th>
<th>Activities</th>
<th>Results/Targets achieved</th>
<th>Comments</th>
</tr>
</thead>
</table>
| **Cook Islands** | - Support to installation of wind monitoring unit  
- Location of additional funding | - Wind monitoring unit successfully installed in Rarotonga in May 2007  
- Letter to EU drafted for Cook Islands Minister  
- Discussions held with ADB on possible co financing of a wind farm in Rarotonga | Cl Government decided not to finance wind project in Rarotonga from EDF 10 |
| **Fiji** | - Finalization and publishing of Rotuma report  
- Start evaluation of wind conditions in Rotuma  
- Co-funding of investment for Rotuma electrification project | - Wind monitoring equipment installed  
- First draft biomass resource assessment and feasibility study circulated for internal review  
- Review of equipment suitable for small scale biofuel pilot project | |
| **FSM** | - Continued support for National Energy Policy development | - No activity in reporting period | |
| **Palau** | - Technical assistance support to GoP in development of the Palau Energy Conservation Strategy (PECS)  
- Energy audit support and related training  
- National Energy Policy Development | - PECS progressing well with training audits and equipment purchase  
- Close co-ordination with REP5 | National Energy Policy Development delayed due to capacity constraints |
| **Nauru** | - Tariff review and consensus building Assistance Mission by Energy Adviser Planned for May 2007 | - First consultation held on policy issues in June 2007, co-ordination with AusAid, ADB and EU on strategy | Further donor co-ordination required as capacity constraints are severe in Nauru |
| **Solomon Is** | - Continuation of tariff review  
- Preparation of GIS/MIS assistance as co-funded | - First draft tariff review issued and circulated  
- GIS upgrading | Both tariff review and GIS work show significant potential to |
<table>
<thead>
<tr>
<th>Country</th>
<th>Activities</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Papua New Guinea</td>
<td>Finalization of the National Energy Policy Framework</td>
<td>Finalization of policies delayed due to election preparation and capacity constraints</td>
</tr>
<tr>
<td></td>
<td>Finalization of the National Rural Electrification Policy Framework</td>
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<tr>
<td></td>
<td>Support of EPC GIS/MIS Co-funding Preparatory Phase for a Samoa PV Rural Electrification Programme</td>
<td>GIS project successfully implemented, training of EPC staff performed</td>
</tr>
<tr>
<td></td>
<td>Samoa National Energy Policy endorsed by Cabinet in June 2007</td>
<td>Samoa fifth country to endorse National Energy Policy developed with assistance from PIEPSAP</td>
</tr>
<tr>
<td></td>
<td>Installation of wind monitoring equipment, preparation of wind generation project (location of possible funding) Follow up on MIS/GIS work (training support) Tariff Study</td>
<td>Installation of wind monitoring equipment, training of TEC staff Tariff Study inception report circulated in June 2007 Biogas training performed, construction of a 8 m3 biodigester Work plan developed for implementation of National energy policy Very positive response and cooperation from a variety of stakeholders, Coordination with NGO successful</td>
</tr>
<tr>
<td>Tonga</td>
<td>Legal support to GoT in the development of a renewable energy legislation by local legal consultant Joint workshop with PIFS on energy security and petroleum procurement</td>
<td>First Draft of renewable energy bill circulated in May 2007 Joint workshop with PIFS on energy security and petroleum procurement delayed</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>Follow up on policy implementation development workshop with key stakeholders and NSA representatives</td>
<td>Follow up on policy implementation development workshop with key stakeholders and NSA representatives</td>
</tr>
<tr>
<td>Regional</td>
<td>Regional market survey wind turbines Participation in and networking with REEEP and East Asia and Pacific Regulatory Forum EAPIRF Support to EU funded REP 5 (participation in steering committee) Support to PIGGAREP in the area of policy development and strategic planning related to renewable energies and climate change</td>
<td>Regional market survey wind turbines first draft circulated in June 2007 Review of Wind Report Niue (REP 5) (participation in steering committee) Participation in the Pacific Energy Ministers Meeting (PEMM) and Regional Energy Meeting (REM)</td>
</tr>
</tbody>
</table>
7.2 Cumulative Country Overview

The following CCO table summarizes the cumulative status of PIEPSAP per country. By clicking the hyperlinks more detailed information can be obtained from SOPAC's webpage. In line with PIEPSAP’s flexible “Menu of Options” approach the project has assisted the participating countries to develop a diverse portfolio of initiatives ranging from national energy policy frameworks and strategic planning to regulatory reforms, introduction of modern energy management systems and project development. A snapshot description of activities is provided in the country overview below.

**Cook Islands**

Focus of co-operation on strategic planning, institutional strengthening and project development.

- Cook Island Energy Action Plan (CIEAP) developed in 2005 with emphasis on energy security, energy conservation and renewable energy development.
- PIEPSAP support for CIEAP includes feasibility study on biofuels and design of energy conservation program
- Project development includes solar pumping for Mauke Island and a wind project for Rarotonga.
- Feasibility study for wind project Rarotonga undertaken presented and discussed in stakeholder workshop.
- Rarotonga Wind Project proposed to EU for funding under EDF 10 national program
- Review of design document for Aitutaki power supply rehabilitation
- On site wind measurements prepared in the framework of a UNDP TRAC funded project. Installation delayed as landowner issues could not be clarified as per March 2007
- Participation in EU-EDF 10 programming mission leading to inclusion of wind project in EDF 10 national program.
- Request received in November 2006 for additional wind measuring
- Wind measurement mast installed in May 2007 under separate funding from UNDP
- Discussion with ADB to consider co-funding of Rarotonga wind farm

**Fiji Islands**

- Draft National Energy Policy and Strategic plan produced and revised as a result of multiple stakeholder workshops and broad consultations. Support to consultations on energy policy within key public sector agencies.
- Policy and Plan endorsed by Cabinet in November 2006
- Co-operation with Asian Development Bank REEP established.
- Capacity building undertaken and SWOT workshop implemented for the Department of Energy.
- Review of regulatory framework for electricity sector performed. PIEPSAP analysis found weaknesses: IPP procurement, Tariffs, System Expansion Planning require strengthening of regulatory regime. Recommendations developed how to address weaknesses through short-term measures and medium term strategies.
- Development of a procurement guideline for IPP/PPP projects recommended.
- Assistance provided to local landowner company to develop IPP hydro project in the Namosi Highlands, and assessment of a hydro project site on a private estate in Vanua Levu.
- Support to Drawa village sustainable electrification in cooperation with GTZ/SPC.
- Assistance in the development of national biomass master plan (co-operation with World Bank)
- Participation of Commerce Commission representative in East Asia and Pacific Regulators Forum (EAPRF) regional regulators meeting sponsored. Contribution provided on poverty oriented universal service obligations policies.
- Rotuma wind monitoring equipment installed in June 2007 in order to develop comprehensive renewable energy resource assessment.
- First draft Biofuel resource assessment and feasibility study for sustainable electrification of Rotuma issued and reviewed.

**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 (Pohnpei), rural electrification (Yap, Kosrae) and state energy policy (Chuuk).
- Co-financing of tariff study agreed upon for Pohnpei (US Department of Insular Affairs and Pohnpei Power Utility).
- Assistance in procurement of consultants through open tender, model tariff study.
- Model tariff study completed in December 2006 with additional work in the area of ownership options and private sector participation.
- Chuuk Energy Policy statement reviewed and PIEPSAP inputs provided.
- Assistance provided to planning of EDF 9 REP5 project and programming of EDF 10 (participation in EU mission).

**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 in the field of energy security and petroleum supply management.
- Biofuel strategy paper developed in co-operation with Energy Office and Kiribati Copra Company.
- Strategy presented and discussed at sub-regional workshop. Biofuel trials with CNO currently under way in Kiribati, technical backstopping provided by PIEPSAP’s research assistant.
- National Biofuel Workshop held in April 2006.
- National draft biofuel strategy developed and co-operation with neighboring Marshall Islands biofuel stakeholders established.
Marshall Islands
Focus on development of National Rural Electrification Strategy using solar and coconut oil (CNO) based biofuel.

- Capacity building for energy planner performed through attachment at SOPAC secretariat.
- Review of Namdrik rural electrification project completed as part of outer island electricity strategy development.
- Final Draft Outer Island Electrification Strategy (OIES) with focus on financial sustainability, technical and social feasibility and supply/demand match issued in May 06.
- OIES endorsed by Minister of Resources and Development in October 2006
- Co-ordination with EU RAP 5 project established.
- Consumer info developed for Tobolar CNO fuel outlet.
- Technical backstopping and research assistance provided for RMI biofuel program (attachment of a research assistant).
- Participation of Marshall Islands’ representative in Kiribati biofuel workshop sponsored.
- PIEPSAP sponsored research project on biofuels completed by D. Fuerstenwerth, international experiences with neat vegetable oil use and risk assessment of CNO use in PIC (reports available)
- Wind monitoring equipment planned

Nauru
Request for PIEPSAP assistance received from GoN, focus on energy policy development. Attachment for Energy Planner organised at SOPAC.

- Attachment cancelled twice by Nauru due to other commitments of official.
- Co-ordination meeting with EU and ADB scheduled for March 2007
- Co-ordination of wind resource assessment activities with consultant funded under French bilateral program, possible follow up by PIEPSAP in case a request is submitted
- Consultations held with Ausaid, EU, and ADB on possible co-operation. Possible support for preparation of the EU REP5 prepaid metering program
- First consultations held on energy policy development in June 2007

Niue
Priorities for PIEPSAP co-operation defined in the area of National Energy Policy development, strategic action planning and project development.

- Updated National Energy Policy (NEP) Statement developed in a consultation workshop involving government and private sector stakeholders.
Niue Energy Action Plan (NEAP) developed, focus on energy security, environment and development of indigenous energy resources.

NEP and NEAP endorsed by Cabinet in October 2006

Solar electrification and pumping project developed as lead activity under NEAP.

Follow up on solar project now under way.

Support to planning of EDF 9 renewable energy project.

Regional market survey for small scale wind applications tendered (among others input into EDF REP 5 wind activity in Niue)

Contribution to ToR for wind risk assessment by external consultant.

Review of wind study for REP5

Palau
Consultation missions undertaken, problem analysis performed.

Priorities for PIEPSAP co-operation defined in the area of energy conservation policies and strategies with emphasis on the development of sustainable institutional structures. Work plan for Palau Energy Conservation Strategy (PECS) developed.


Technical assistance to PECS by consultants field work by consultants started in January 2007 with baseline development and first training workshop for steering committee members.

Training workshop for energy managers, purchase of audit equipment

Papua New Guinea
Various consultations undertaken priorities for PIEPSAP co-operation defined in the area of National Energy Policy development and the Rural Electrification Policy.

Assistance in developing policy frameworks for energy and rural electrification.

Participation in policy development workshops of the National Task Force.

Draft policy statement circulated amongst major stakeholders.

Co-ordination of activities with World Bank.

Support to two initiatives to develop proposals for submission under the EUEF (rural electrification through mini hydropower and institutional strengthening of energy administration).

Solomon Islands
Priorities for PIEPSAP co-operation defined in the area of National Energy Policy development.

Co-operation with World Bank initiated.

PIEPSAP work plan endorsed by the Government of Solomon Islands.

Assistance in the establishment of National Task Force consisting of Attorney General Chamber, Department of Environment, National Planning and Aid Coordinating Department, Finance and Treasury Department, Infrastructure.
National policy development workshops supported and draft set of policy statements on twelve strategic areas developed.

Strategic energy sector plan drafted

Review of utility restructuring plan presented by World Bank reviewed upon request of SI Government. Review endorses concept of a competitively tendered management contract as a first step towards more fundamental reforms in SI utility industries.

Review of SI Electricity Act and development of regulatory framework for rural electrification completed in November 2006 with joint workshop in co-operation with World Bank

Support to SIEA in enhancing GIS/MIS system (provision of software, technical support mission in March 2007)

Tariff review for SIEA conducted, first draft circulated in May 2007

Samoa
Several consultation missions undertaken, priorities for PIEPSAP co-operation defined in the area of National Energy Policy development.

Two policy and strategy development workshops held.

Draft policy statements and strategies produced in September 2005.

National task force reviewed strategies including refined by National Energy coordinator considering comments received

Two community level public consultations concerning National Energy Policy, one in Savaii and one Apia with representatives from NGOs and private sector.

TA contract for GIS/MIS awarded directly through UNDP Samoa

GIS/MIS consultancy for power utility incepted in December 2006 with first field mission by consultants.

In first quarter 2007 agreement to cost-share with UNDP TRAC a Preparatory Phase for a Samoa PV Rural Electrification Programme. Comments provide on draft Concept Paper prepared by UNDP

National Energy Policy endorsed by Samoa Cabinet in June 2007

Tonga
Consultations undertaken, PIEPSAP work program endorsed by Government of Tonga.

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.

Policy statements and strategies refined after comments received from Task Force members.

RE policy framework submitted to the Minister for Lands, Survey and Natural Resources, Hon Feilakepa

Renewable Energy Policy endorsed by the Tongan Cabinet in October 2006

Development of renewable energy legislation, consultation on PIEPSAP support for legislative initiative

Draft Terms of Reference for the development of the Renewable
Energy Bill developed

Renewable energy bill drafted by local consultants submitted to energy department

**Tuvalu**

Broad variety of projects successfully established including:

- Assistance in the establishment of A National Task Force made of representative from the private sector, public sector and civil society
- Draft energy policy statement developed in multi-stakeholder workshop.
- National Energy Policy endorsed by the Tuvalu Cabinet in October 2005
- Strategic Action plan prepared in March 2006 reviewed and refined by Tuvalu task force, final version circulated in April 2007
- Support to power utility (TEC) in the field of Management Information Systems/GIS appraised, co-financing and co-operation established with SOPAC EU project.
- Implementation of MIS/GIS project completed by March 2006 as multidisciplinary multi-stakeholder exercises both at SOPAC and at national level.
- MIS/GIS support until December 2006 (upgrading of TEC equipment, expansion to seven outer islands, deepening analytical capabilities, broadening of application)
- Co-operation agreed upon in the area of reducing fossil fuel consumption of TEC (renewable energy resource assessment wind and biomass) and facilitation and locating renewable energy funding from EDF 10 and EUEF.
- Co-funding agreed with ADEME supported project Alofa Tuvalu in the area of energy conservation awareness building.
- Wind measuring equipment procured with installation in May 2007.
- Regional training in biogas construction performed in May 2007, 8 m³ plant constructed and commissioned
- Work plan for policy implementation developed in May 2007
- Tariff study inception in June 2007 and Inception report circulated also in June 2007
8. Challenges/Issues Encountered

The Mid Term Review confirmed the demand driven approach and the flexible menu of options as a strength of the project. At the same time it becomes clear that this flexibility is a contributing factor to the constraints in reaching all the outcome targets of the project. I.e. it is unlikely that all 14 ACP countries will have endorsed National Energy Policies in place together with strategic action plans, practical mechanisms appropriate regulations and project pipelines where funding has been committed by stakeholders. Needs for assistance in each PIC varies according to the specific country situation, activities of other agencies and donors, policy priorities, resource endowment levels etc. Although a six years project period as originally anticipated would bring the project closer to achieving the somewhat ambitious outcome targets formulated in the project document, the reality is that for years to come PIC will require external assistance and enhanced regional co-operation in order to improve energy sector management. This will require long term commitment of regional organizations and their senior managers together with political will of PIC governments to engage in regional co-operation and harmonization. Although the required actions are certainly not fully controllable by PIEPSAP efforts were made to enhance ownership and institutional sustainability as described below.

9. Solutions Applied (to address issues and challenges)

In response to the suggestions of the Mid Term Review a Project Steering Committee (PSC) consisting of a senior UNDP representative, the SOPAC Directorate and the Manager of the Community Lifelines Programme was established during the reporting period with terms of reference for the PSC prepared by UNDP Samoa. The PM of PIEPSAP acting as secretary of the PSC prepared the first meeting held back to back with the Regional Energy Ministers Meeting in Rarotonga. The PSC approved the suggested Work Plan and Exit Strategy April 2007 to July 2008 which emphasises the need to ensure sustainability through institutional ownership and management arrangements that facilitate a smooth transition beyond the lifetime of the project. It is expected that during the period covered in the exit strategy PIEPSAP will be able to consolidate

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1 The Minutes of the PSC are attached to this Report as Annex 1
and ensure that full ownership for ongoing activities is taken up by the executing agency. PIEPSAP’s efforts will be more likely to be sustainable when the inputs provided by the project assist other initiatives that survive the project life. As part of the exit strategy efforts in co-operation and co-ordination has been increased. Existing links are being re-enforced and networking efforts will be further augmented. This includes but not necessarily be limited to:

- SPREP/UNDP/GEF PIGGAREP
- Forum Secretariat
- REP5 EDF 9 Renewable Energy Project
- EDF 10 Preparation Activities (Nine ACP have opted for renewable energy as focal areas for their allocation)
- GEF/World Bank sub-regional Sustainable Energy Financing project
- World Bank bilateral projects
- ADB Energy Initiatives
- REEEP
- US Department of Insular Affairs

PIEPSAP has in the past successfully co-operated with other initiatives and supported numerous initiatives executed by other agencies. The project will maintain its active communication strategy to ensure durability of the initiatives supported under the project.


Focus will be on strengthening and consolidating ongoing activities at national and regional levels with few new activities started. In line with the recommendations of the projects Mid Term Review support will still be provided for policy development work and strategic planning, remaining resources will, however, be focused on the development of practical measures and mechanisms and the preparation of projects and investments that aim at a sustainable supply of energy in the projects target region. Total expenditure (including staff and travel costs, etc) during the next quarter are estimated to be US$ 236,000 as shown in the quarterly financial report.

<table>
<thead>
<tr>
<th>Country</th>
<th>Activities</th>
<th>Comments/Budgets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cook Islands</td>
<td>- Location of funding for Raro Wind project</td>
<td>GoCI re-allocated EDF 10 funding. Sub-total = US$2,000</td>
</tr>
<tr>
<td>Fiji</td>
<td>- Publication of Biofuel Model Study</td>
<td>Implementation of pilot oil extraction biofuel project with Motusa community. Sub-total US$ 10,000</td>
</tr>
<tr>
<td>FSM</td>
<td>- Continued support for National Energy Policy development</td>
<td>Stakeholder support. Sub-total = US$ 2,000</td>
</tr>
<tr>
<td>Kiribati</td>
<td>- Energy Policy Development</td>
<td>Sub-total = US$ 3,000</td>
</tr>
<tr>
<td>Marshall Is</td>
<td>- Wind monitoring</td>
<td>Wind monitoring: US$ 15,000</td>
</tr>
<tr>
<td>Nauru</td>
<td>- Second consultation on NEP and consensus building</td>
<td>Initial Workshop US$ 3,000</td>
</tr>
<tr>
<td>Niue</td>
<td>- Support to REP 5 Wind development</td>
<td>Sub-total = US$2,000</td>
</tr>
<tr>
<td>Palau</td>
<td>- Continued technical assistance support to GoP in development of PECS</td>
<td>Budget Consultant US$ 6,000</td>
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<td></td>
<td>- Energy audit of Capitol Building</td>
<td>Budget equipment US$ 3,000</td>
</tr>
<tr>
<td>Country</td>
<td>Activities</td>
<td>Costs</td>
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<tr>
<td>----------------</td>
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<tr>
<td>Papua New Guinea</td>
<td>Final PECS workshop&lt;br&gt;Finalization of the National Energy Policy Framework&lt;br&gt;Finalization of the National Rural Electrification Policy Framework</td>
<td>Workshop US$ 2000 Sub-total = US$2,000</td>
</tr>
<tr>
<td>Samoa</td>
<td>Co-funding Preparatory Phase for a Samoa PV Rural Electrification Programme&lt;br&gt;Progress assessment and co-ordination mission planned for July 2007</td>
<td>Co-funding outflow during quarter estimated at US$ 8,000&lt;br&gt;Printing of NEP: US$ 1,000&lt;br&gt;Sub-total: US$ 9,000</td>
</tr>
<tr>
<td>Solomon Is</td>
<td>Continuation of tariff review&lt;br&gt;Continued support for GIS development&lt;br&gt;Mini hydro development</td>
<td>Tariff study: US$ 25,000 Sub-total = US$25,000</td>
</tr>
<tr>
<td>Tuvalu</td>
<td>Wind monitoring and data analysis&lt;br&gt;Preparation of wind generation project (location of possible funding)&lt;br&gt;Continuation of Tariff Study&lt;br&gt;Translation and production of educational material, co-funding with NGO Alofa Tuvalu</td>
<td>Tariff study: 21,000 (consulting contract)&lt;br&gt;Education material: US$ 3,000&lt;br&gt;Sub-total: US$24,000</td>
</tr>
<tr>
<td>Tonga</td>
<td>Continued legal support to GoT in the development of a renewable energy legislation by local legal consultant&lt;br&gt;Joint workshop with PIFS on energy security and petroleum procurement</td>
<td>Renewable Energy Bill final payment consulting contract US$ 30,000 Sub-total = US$30,000</td>
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<tr>
<td>Vanuatu</td>
<td>Biogas training and construction of a pilot pant&lt;br&gt;Follow up on policy development (submission to cabinet)</td>
<td>Biogas Training Sub-total = US$ 10,000</td>
</tr>
<tr>
<td>Regional</td>
<td>Completion of international market survey wind turbines&lt;br&gt;Distribution of information/publications&lt;br&gt;Support to REP 5 (steering committee) and participation in preparation of EDF 10 energy projects&lt;br&gt;Support to PIGGAREP in the area of policy development and strategic planning related to renewable energies and climate change</td>
<td>Final Payment wind market study: US$ 3,000&lt;br&gt;Publication of Biofuel Model Study and Wind Market Survey: US$ 4,000&lt;br&gt;Contingency: US$ 3,000&lt;br&gt;Sub-total = US$10,000</td>
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**PLANNED TOTAL FOR QUARTER = US$ 156,000**

Note that expenditures in the next quarter will be above historic averages, as a number of commitments from ongoing consulting contracts will have to be honoured.

11. Report Prepared By:

Gerhard Zieroth, Project Manager
Annex 1

Minutes of Meeting

Quality Record Sheet

Document  UNDP Reporting
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Description
Minutes 1st PSC Meeting held in Rarotonga Cook Islands 27 April 2007

Originator
Author: Gerhard Zieroth

Approved
Name: Naheed Haque
Position: Resident Representative, UNDP Samoa

Approved
Name: Cristelle Pratt
Position: Director SOPAC
Minutes of Meeting: Project Steering Committee

1. Venue: Rarotonga, Cook Islands, 27 April 2007

2. Project Number/Code: 00032329

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

4. Participants: Thomas Jensen representing UNDP Samoa (co-chair), Cristelle Pratt, Director SOPAC (co-chair), Paul Fairbairn, Manager, Community Lifeline, SOPAC, & Gerhard Zieroth Manager PIEPSAP

5. Agenda:

The following Agenda was proposed by UNDP:

1. Introduction by UNDP
2. Project Extension
3. Discussion and Endorsement of Terms of Reference (TOR) for PSC including composition, meeting frequency, etc
4. PIEPSAP staff positions
5. Discussion and Endorsement of Final Work Plan and Exit Strategy
8. Preliminary findings from the 2006 audit
9. Date/Venue next PSC Meeting
10. Any Other Business

6. Contents

Introduction by UNDP
Thomas Jensen (TJ) welcomed participants and conveyed apologies of Ms. Naheed Haque, Resident Representative, UNDP Samoa and Ms. Easter Galuvao, Assistant Resident Representative, Energy and Environment Unit advising that he had been nominated to represent UNDP Samoa at the 1st Project Steering Committee (PSC) meeting for PIEPSAP. TJ observed that delegates who participated in the Regional Energy Meeting (REM) and the Pacific Energy Ministers Meeting (PEMM) from the 23-26 April 2007 in Rarotonga expressed appreciation of the support provided by PIEPSAP project. He noted that the Energy Ministers of Fiji, Vanuatu and Solomon Islands explicitly mentioned PIEPSAP as an example of valuable technical assistance provided by regional organisations. Further noting that it was recommended in the official communiqué of the REM/PEMM to mainstream Energy Policy and Planning in the Region.
Project Extension

TJ informed the meeting that the Danish Government (GoD) in a letter dated 24 April 2007 had formally approved the request from UNDP for a project extension more specifically until 14 August 2008. Thus in this context both UNDP and SOPAC have met the eight conditions upon which the GoD had made an extension contingent upon. TJ mentioned that the issue of interest made on project funds that has been accrued in SOPAC accounts before the project specific account was established beginning of 2007 still need to be addressed. Gerhard Zieroth (GZ) suggested that SOPAC’s finance section would need to check if any net interest had been gained over the lifetime of the project during the period from when the first transfer of fund was made from UNDP until the project specific account was established beginning of 2007.

Discussion and Endorsement of Terms of Reference (TOR) for PSC including composition, meeting frequency, and venues.

With regard to the draft TOR for the PSC, subsequent to sending the final draft TOR to the GoD on 30 March 2007 senior management from SOPAC and UNDP Samoa had additional comments. Among others Cristelle Pratt (CP) suggested that there should be country\(^2\) representation as well as representation of an independent\(^3\) party on the PSC. The PSC accepted this suggestion and it was agreed that approaches be made to the governments of Fiji, Samoa and the Marshall Islands respectively to participate in future PSC meetings. As an independent participant it was agreed to invite Peter Johnston to future meetings. With regard to meeting frequency it was agreed that meetings be held quarterly with a target date during the first two weeks of each quarter (with the next PSC meeting scheduled for the period 2 – 13 July 2007) coinciding with the quarter cycle for substantive as well a financial reporting. PIEPSAP will (as one done for the 1st quarter 2007) circulate draft quarterly reports to country focal points on the last working day of the respective quarter in order to allow PSC participants to scrutinize the drafts and discuss them at the respective meeting. With regard to venues then it was agreed to use teleconference, but should the opportunity arise face-to-face meetings would be held back to back with regional meetings.

The draft TOR was agreed to in principle by the PSC, with minor changes to be made reflecting the comments from senior management from SOPAC and UNDP Samoa as well as the decisions made at the first PSC meeting. A final version will be prepared by UNDP Samoa and sent out as soon as possible.

PIEPSAP staff positions

TJ expressed very high satisfaction of UNDP in respect of the performance of the PIEPSAP team and emphasized that UNDP has a strong interest to retain project staff for the extension period. Staff and thus project approach continuity is considered an essential component of effective delivery of PIEPSAP services for the remaining project life. GZ advised that all three project staff are interested to accept extensions of their contracts. GZ requested a contractual provision to take up to 10 weeks unpaid leave during the extension period. CP agreed that this would be acceptable; however, that this would need to managed to ensure minimal impact on PIEPSAP delivery. It was agreed

\(^2\) The criteria for selection being: (i) interest, responsiveness in uptake and participation in PIEPSAP; (ii) balance in geo-cultural representation from Polynesia, Melanesia and Micronesia; and (iii) cost effectiveness in convening and participating in PSC meetings.

\(^3\) The rationale for inclusion of an independent representative being to include an energy expert with regional experience. The nominated energy specialist was responsible for designing the PIEPSAP project document.
that negotiations on contract extensions should be timely and well ahead of the expiry
dates of the current contracts.

Discussion and Endorsement of Final Work Plan and Exit Strategy
The Final Work Plan and Exit Strategy was discussed and endorsed by the PSC. It was
agreed that the project should retain its flexibility to respond to country needs and
requests for assistance. As PIEPSAP keeps receiving requests that have not been
included in the final work plan, GZ suggested to explore possibilities to augment
PIEPSAP’s operational budget as remaining funds may not be sufficient to cover these
new PIC requests for assistance. It was agreed that the funding of additional activities
would not be a problem if the EU approved the EUEI proposal developed under
PIEPSAP. TJ suggested that there is also a possibility to allocate financial resources of
the newly established SPREP executed, UNDP implemented and GEF funded
PIGGAREP project to PIEPSAP. Such funds could be used to cover specific activities in
the area of renewable energy (mitigation) policies, strategic action planning, practical
mechanisms etc., i.e. in areas where there is joint focus of PIEPSAP and PIGGAREP
(both projects implemented by UNDP through the Samoa office). UNDP will follow up
with SPREP on this possibility. It was suggested to cover such possible co-operation
between PIGGAREP and PIEPSAP with a Memo of Understanding between SPREP and
SOPAC. It was also noted that there in general would be a real and urgent need for
enhanced donor co-ordination, collaboration, etc in the region as a number of new energy
initiatives are due to start in 2007/2008. SOPAC will proactively pursue this issue.

Discussion and Endorsement of 1st Quarterly Progress Report 2007
GZ informed the PSC that the draft QPR 1/2007 had been circulated amongst Pacific
energy officials for input and comment. Response was received only from the Niue official
who requested further assistance under PIEPSAP. The report was briefly discussed and
endorsed in principle (minor amendments will be required to harmonize the report with
the quarterly financial report).

Discussion and Endorsement of 1st Quarterly Financial Report 2007
The 1st quarter financial report was endorsed by the PSC. However, it was acknowledged
that an amendment needs to be made that considers minor overlooked expenses and
revenues not accounted for in the last quarterly financial report for 2006.

Preliminary findings from the 2006 audit
TJ received the 2006 audit late evening 26 April 2007. Without having read the audit in
details it was noted that the 2006 audit did not raise any major issues. The audit
concludes that the statement of expenditure presents fairly in all material respects the
expenditure of US$ 448,362.75 incurred by the project in accordance with UNDP
accounting requirements. It was noted that reimbursements made to PIEPSAP from
SPREP and BCSE have not been credited to PIEPSAP’s account. This requires
rectification through booking negative expenses. It was also noted that the audit found
that “the PIEPSAP project progressed well in 2006 and has achieved the majority of the
planned activities…”

Date/Venue next PSC Meeting
It was agreed to hold the next PSC as a telephone conference during the first two weeks
in July.
Any Other Business
It was agreed that SOPAC management would follow up on enhanced donor co-ordination and co-operation in the energy sector. The impetus of the Pacific Energy Ministers’ Communiqué provides an excellent opportunity to embark upon a new initiative for heightened co-ordination to deliver against energy priorities reflected in the PIERSAP of the PIEP.