

NATIONAL CONSULTATIONS KIRIBATI

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PIEPSAP Project Report 13

11 November 2004

~ 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*


PIEPSAP
PACIFIC ISLANDS ENERGY POLICY
AND STRATEGIC ACTION PLANING

MINISTRY OF FOREIGN AFFAIRS OF DENMARK
UDENRIGSMINISTERIET



National Consultations PIEPSAP

Back-to-office report

Country	 Kiribati
Consultations held by	Gerhard Zieroth
Request for PIEPSAP assistance or consultation (Dates, originator, content)	Fax communication 27 October Permanent Secretary of Public Works and Energy/Energy Planner
Dates of Consultations	1/11/04 – 04/11/04
Summary	<p>There was a good response by all relevant stakeholders in both public and private sectors. Priorities of the Kiribati government in the energy sector are currently focused on locating additional finance for the expansion of rural electrification and on reducing cost of fuel imports. Amongst the priority projects currently under consideration and planning is the electrification of Christmas Island. There is also a need to establish an energy sector management plan guided by an up-dated energy sector policy. The Kiribati Government will consult internally and request assistance PIEPSAP assistance in priority areas. The EPU provided hired car transport for PIEPSAP during the mission, a support that has been greatly appreciated.</p>
Government Agencies	
Energy Planner: Contact: Mautaake Tannang, Energy Planner, Ministry of Public Works and Utilities Tiante Tarakia, Assistant Energy Project Engineer	<p>The Energy Planning Unit (EPU) is responsible for coordinating the implementation of energy policies and providing necessary advice and assistance on all energy activities and energy-related matters. The EPU currently consists of the Energy Planner, two engineers and a secretary. The mandate covers energy planning in general, inspection and licensing of petroleum facilities and maintenance of the Tarawa streetlights. The unit administers two budget votes. Current year operational budgets are approx \$ 81,000 for the streetlight maintenance an \$ 100,000 for the EPU's general tasks. The latter is used for salaries, office operation and travel.</p> <p>For the EPU the highest priority is the development of an up-to date energy policy framework together with an energy sector management plan that clearly determines the responsibilities and mandates of the various energy sector institutions. The policy should be presented to the Planning Committee of the Ministry of Finance and Planning, the Development Co-ordinating Committee and the Attorney/Solicitor General</p>

	<p>before being tabled for a Cabinet approval. The EPU also feels that general capacity development would be necessary in order to efficiently participate in energy sector planning exercises such as a petroleum supply feasibility a rural electrification strategy and the planning of Christmas Islands power supply.</p> <p>The EPU currently undertakes a feasibility study on coconut based biofuels (CNO). The option of using CNO fuelled generators is being considered for outer island electrification.</p> <p>PIEPSAP assistance is considered in the following areas:</p> <ul style="list-style-type: none"> • Development of an energy sector policy and energy sector management plan • Feasibility study on fuel imports (cost reduction through competitive procurement and larger storage capacity) • Planning of biofuel projects (Copra processing plant, outer island electrification, land and sea transport) • Development of electrification and energy supply strategy for Christmas Island including analysis of renewable energy options
<p>Line Ministry Energy: Ministry of Public Works and Utilities Contacts: Hon Minister James Taom</p> <p>Director of Engineering Mr Titaake Binataake</p>	<p>Initial discussions were held with the Minister in order to outline objectives, scope and approach of PIEPSAP. It was explained that PIEPSAP cannot finance hardware investments such as rural electrification projects but can assist in sourcing finance for projects that have been developed and planned. The Hon Minister emphasized the need for capacity building and development of energy sector management plans. Implementation capacity of the EPU is currently still weak and the question of mandates for energy sector institutions needs to be addressed. The Minister is also interested to re-establish the Kiribati Energy Coordinating Committee chaired by the EPU and comprising the CEOs or managers of PUB, SEC, KOIL.</p> <p>The Director of Engineering PWD is also the chairman of the PUB. He re-emphasized the importance of a sound planning for the Christmas Islands electrification project and supported the suggestion that PIEPSAP assists in detailed planning and the location of finance to implement the project. The Ministry has already submitted a Cabinet paper that seeks integration of the Christmas Islands supply into the PUB operation. A decision on the matter is pending.</p> <p>The director also pointed out that there are frequent complaints from participants in the solar electrification program that current fees (\$9 per month) would be too high. He hopes, however, that problems in this program can be resolved with the restructuring of the SEC and the introduction of the solar support group which would offer assistance to villagers who are unable to pay.</p>

<p>Other Ministries that have stakes in policy: Contacts: Ministry of Finance and Economic Development Contact: Permanent Secretary and Chief Planning Officer</p>	<p>The Permanent Secretary emphasized that any policy development and energy sector management plan has to be based on the existing “Ministerial Operational Plan” for the relevant line ministries. These plans also need up dating in case the task profile of individual units is being changed.</p> <p>The ministry of finance is concerned about the impacts of high fuel and electricity prices on the economy of Kiribati and strongly supports all initiatives to reduce import cost (through improved storage and competitive procurement) and through import substitution (through biofuels). The taxation issue on biofuels was raised and the permanent secretary pointed to the need to honor regional and international trade agreements.</p>
<p>Office of the Attorney General Contacts: Solicitor General David Lambourne</p>	<p>The SG pointed out that the AG office should be consulted with respect to new policies, regulations and sector management plans. This is not strictly a necessity at the drafting stage but advisable as legal implications and conflicts with existing regulations can be picked up and managed before formal submission to cabinet (where the AG is represented). According to Kiribati law, line ministers have the authority to pass sector regulation as long as the AG office is being consulted. The SG also advised that any policy development activity should be performed in co-ordination with the newly established “Strategic National Policy Unit” located at the Office of the President. This unit has a director and two senior staff members and would be able to support an energy sector policy and planning initiative.</p> <p>Support was offered for such a new initiative to improve energy sector management and the SI pointed out that key players in the sector need to co-ordinate and communicate in a more efficient way. The SG also sees an urgent need to clarify the roles of the PUB and the Solar Energy Company SEC that is currently in the process to rethinking and broaden its role in rural electrification to include conventional generation systems.</p> <p>The SG supported the idea to conduct a feasibility study on fuel procurement. Reduction of energy cost to the economy is seen as a prerequisite for development of local industries and businesses. As an example a tuna processing project was cited where the current commercial electricity tariff of \$ 0.47 per KWh is clearly prohibitive. Studies have shown that a price of \$ 0.20 would be necessary to render such a project commercially viable. High electricity tariffs combined with total lack of flexibility to negotiate special supply arrangements with large scale power consumers seems to be a significant damper for economic development in Kiribati.</p> <p>The SG supported the idea to investigate biofuels as an option for import substitution and as a means to create value in rural communities. He pointed out, however, that provisions in regional trade agreements such as PICTA have to be reviewed in order to make sure how biofuels would be treated under the</p>

	<p>new trade arrangements that move from customs duties to excise (the latter being an alternative source of government revenue that is collected at the point of origin of goods and services as opposed to customs duties on imports)</p>
<p>Environmental Unit, MELAD National GEF Focal Point Contacts: Ms Tererei Abete Mr Nakibae Teuatabo</p>	<p>Currently Kiribati has 5 GEF projects. \$ are national projects in the fields of biodiversity, biosafety, persistent organic pollutants and Majuro protocol adaptations. Kiribati also participates in a regional project "International Waters" that is jointly executed by SPC, SPREP and FFA. Ms Abete raised concerns about lack of co-operation between SPREP and SOPAC in the preparation and possibly the planned execution of PIREP/PIGGAREP. She emphasized that Kiribati insisted at the SPREP annual session that SPREP is given the instruction to co-operate with SOPAC in order to avoid duplication of efforts and to ensure that the experience of the SOPAC energy program is adequately used in the delivery of the services.</p> <p>In terms of national priorities she sees priorities in the area of sewage treatment in combination with biogas utilization and in the area of landfill gas utilization. She stressed that waste management should be considered as one of the highest priorities in Kiribati.</p>
<p>Utilities and Private Sector</p>	
<p>Pubic Utilities Board (PUB) Contacts: Tokia Greig (CEO)</p>	<p>PUB is a government owned utility. PUB also operates South Tarawa water and sewage systems. It supplies power generated in diesel sets to South Tarawa. Two new 1.4 MW units provide base load at a specific fuel consumption of 0.25 l/kWh. An old power station at Betio is only used as stand-b and operated during scheduled maintenance of the new units. A third new unit of 1.4 MW is scheduled to come in in 2005 to cope with growing demand. Power tariffs are \$ 0.47/KWh for commercial and \$ 0.37/KWh for domestic consumers. The CEO pointed out that the main reason for this comparatively high tariff level is high fuel supply cost. Currently cost to PUB (no tax) amount to) \$ 0.75 per liter. Pump prices are \$ 0.85/l. Consequently, for PUB the highest priority is reducing supply cost for fuel. PUB has been in touch with MEC Majuro to explore a fuel supply arrangement similar to MEC's. Currently Mobil supplies Kiribati from Fiji. Limited storage capacity that is owned by Mobil does not allow competitive procurement. Larger, government owned storage and using MEC supply sources out of Guam are seen as a possibility to reduce cost significantly.</p> <p>Second priority for PUB is the planning and implementation of the Christmas Islands electricity supply. A least cost approach is sought that would combine renewable and conventional power sources. RE options include wind as a grid connected fuel saver and distributed solar for isolated consumers. PUB has already commissioned a small scooping study that will look into the options of wind.PUB is also interested in the use of CNO as a locally produced fuel substitute</p>

<p>Solar Energy Company SEC Contacts: Terubentau Akura General Manager</p>	<p>The Solar Energy Company (SEC), an incorporated company majority owned by the Ministry of Public Works and Utilities> SEC's core business is particularly the sale or lease of solar electric systems and relevant components. SEC is guided by a board of 5 directors and has a staff of 2. The ministry has also approved a reorganisation, subject to support from AG. Under the proposed re-organization SEC would be renamed the Rural Electrification Company (REC) with responsibilities broadened to include conventional as well as renewable energy supply for outer islands.</p> <p>Until now SEC has installed donor funded equipment (mostly EU funded) with an aim to recover operational cost through a monthly user fee of \$ 9. A current EU project will allow SEC to service approx 25 % of rural consumers. Additional donor funding is sought to increase coverage to 50 % by 2005. SEC also seeks to increase monthly gradually to \$ 14 in order to improve its cash flow.</p> <p>The SEC GM feels that support for the location of further donor funding would be a possible role for PIEPSAP. Also, the development of a new energy policy should acknowledge the broader role of SEC as a rural energy supplier.</p>
<p>Kiribati Copra Milling Company Contacts: Katarina Tojunga CEO</p>	<p>The Kiribati Copra Milling Company (KCMC) is government owned and has a production capacity of 5000 tons of oil per year. 2004 production will be n the order of 2700 tons. The product is sold to an agent in Singapore who trades the product in Rotterdam. Net earnings per ton of oil are US\$ 500 per ton.</p> <p>The CEO reckons that quantities are too small to directly trade on the commodity market and get a better price. KCM buys copra from the Copra Society at a price of approx \$ 0.13/kg. This price is considered adequate to allow the company to be financially viable. The CS pays producers \$ 0.60/kg i.e. it hands out a substantial government subsidy to copra producers.</p> <p>KCM is very interested in CNO biofuel options either as fuel in their own operation or for general use. In particular KCMC would be happy if CNO could be used internally to reduce expenditures for fuel oil and electricity, the later costing the company between \$20,000 and 25,000 per month. The company owns two stand-by generation units of 250 and 650 KVA and could generate their own electrify. The larger unit is able to supply the full load of the plant and the V 12 perkins engine could possibly operate on processed CNO. The manufacturer should, however, be consulted before any tests are conducted.</p> <p>KCMC also operates a 500 KW steam boiler that is fired by diesel oil. This unit could be fired with CNO. The manufacturer of the unit should be consulted before tests are being conducted.</p>

Financial Sector	
<p>Development Bank of Kiribati Contacts: Naata Tekeaa Deputy General Manager</p>	<p>The Development Bank of Kiribati (DBK) lends to local businesses and individuals at 12 % interest. It has a staff of 33. Typical projects are ice-makers and video equipment for outer islands and transport projects (minibuses, boats). Loans over \$4000 require a land mortgage as a security. The bank has 3 branches and 12 outer island representatives. The European Investment Bank currently refinances DBK, ADB the a major partner in previous years has withdrawn. Current loan portfolio of the bank is \$ 7 million. DBK has already borrowed to ice making businesses using solar equipment.</p> <p>The DBK has a strong interest in lending to energy related businesses as long as there is sufficient security for the loans. A credit guarantee program that promotes energy efficiency or rural energy projects is considered as an ideal means to promote private sector participation in the energy sector. DBK's interest would be mainly the outer islands where no other financing is accessible for prospective entrepreneurs.</p> <p>DBK co-operates with the business advisory facility of the Ministry of Commerce, a unit that could also advise borrowers on the options and risks of energy projects.</p>
<p>Bank of Kiribati Ltd Contacts: Neville Oldham Managing Director</p>	<p>The BoK is a joint venture between the Kiribati government and ANZ. It's main business are loans for cars, bikes, boats and housing. Maximum term is 5 years. Conditions vary for certain loan types a cash deposit is required. Salary allotments are also used as loan security. The BoK is not able to take mortgages as security.</p> <p>BoK would be interested in energy sector lending, in particular for energy efficiency projects on Tarawa. Loan security could be enhanced through a credit guarantee program. BoK would also be able to channel GEF or CDM type subsidies to energy sector borrowers.</p>