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Palau's Sustainable Economic Development for Renewable Energy Applications project

This project under Global Environment Facility (GEF) Operational Program-6 intends to remove the barriers to Palau's efforts to reduce greenhouse gas emissions through the widespread use of feasible renewable energy technologies.

The Sustainable Economic Development for Renewable Energy Applications (SEDREA) project widens the scope of the European Union-funded energy development project and other foreign-assisted and government-funded projects under Palau's current energy programme.

The Project expects to establish a national policy and programme for renewable energy within the context of a national energy policy, create a conducive environment for investments in renewable energy technologies on the power generation at the utility level, encourage application of household and village level renewable energy technologies applications especially in areas that cannot be served by the grid and sustain an industry to support renewable energy technology development and commercialization.

The application of renewable energy technologies not only to meet the electricity needs of the country but also provide the other energy requirements for productive uses in the other major sectors of the national economy. The main outcome of the project is the effective utilization, and realization of benefits from the use, of the country's feasible renewable energy resources.

The proposed SEDREA project comprises of four components:

Component 1: Renewable Energy Policy & Institutional Capacity Building. Bring about the establishment of a national policy and programme for renewable energy

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- Establishment of a Renewable Energy Subsidy Program (RESP) through the Renewable Energy Fund Window under the SEDREA project executed by the Palau Energy Office and the National Development Bank of Palau.
- RESP allows interested customers to apply for a loan through the bank for the setup of the on-grid system in their homes.
- Endorsement of Palau's National Energy Policy in 2010 allows for the preparation of the country's Energy Act.
- Net metering Act is now a regulation in Palau; a major achievement in the sustainability of the future of renewable energy technology in Palau having a substantive impact on the Renewable Energy Fund Window established as the RESP with National Development Bank of Palau.
- **Total SEDREA allocated resources:** US\$1,000,000 (GEF/UNDP).
- **Project duration:** 2008 – 2012.
- **Partner:** Palau Energy Office (PEO)
- **Donors:** UNDP/GEF and Government of Palau.



A customer's house that is on the grid under the Renewable Energy Fund Window subsidy programme with the National Development Bank of Palau.

within the context of a national energy policy.

- The Palau Energy Act, is expected to be debated and finalized by the legislature in 2014.

Component 2: Renewable Energy Technology Delivery & Financing Mechanisms.

Create a conducive environment for investments in renewable energy technologies on the power generation at the utility level.

- The Renewable Energy Subsidy Loan Program firmly established as part of the National Development Bank of Palau's Loan Program. This sits alongside the Energy Efficient Loan Program (supported through the International Union for Conservation of Nature) and the Renewable Energy Subsidy Program, supported by North Renewable Energy and Energy Efficiency Programme (REP).

Component 3: Renewable Energy Technology Develop & Industry Support.

Encourage application of household and village-level renewable energy technologies applications especially in areas that cannot be served by the grid.

- Wind resource monitoring and mapping, and associated capacity building/training on resource assessment and surveys are being undertaken under the North REP.

Component 4: Renewable Energy Information, Training & Advocacy.

Sustain an industry to support renewable energy technology development and commercialization. And encourage sharing of renewable energy information, training and advocacy.

- The establishment of a Renewable Energy Center, creation of a database and training for the production of energy curricula for schools remain unfinished.

Currently, renewable energy only makes a small contribution of less than one percent towards Palau's total energy supply and experiences are limited to solar PV and solar hot water units.

Achieving a target of 20 percent by 2020 will require expansion into other forms of renewable energy such as wind, waste (landfill gas), hydropower and perhaps marine energy (wave energy and currents).

Renewable Energy Fund Window

The Renewable Energy Fund Window finances off-grid/grid-connected solar photovoltaic and solar water heaters systems, for both households and businesses.

Through a mix of subsidies and loans (and equity for commercial projects), the Fund Window financing improves the economics and the affordability of the renewable energy technologies systems, facilitating the wide spread application of renewable energy technologies in Palau.

The project intends that the subsidy percentage be gradually reduced on an annual basis with the subsidy completely dropped by 2016. This approach is intended to encourage the early adoption of the technologies and to encourage development of an unsubsidized, market-based supply as the concept becomes more widely accepted by the public.

Lessons Learned

This promising innovative programme in Palau seems to have potential for replication in some of the other Pacific Island countries. Thus under consideration is a preparatory phase for a possible sub-regional or regional rollout of a similar programme.

While in theory all Pacific Island countries could replicate it, most countries would not have critical factors in place that would allow it to work well including:

1. a financial institution willing and able to take responsibility for the project and do what is necessary to get it functioning;
2. a population that has a generally high rate of household electricity use or exceptionally high electricity rates which make the solar PV option economically attractive;
3. large enough potential market to be able to support several construction contractors that can be trained to do the installations and to maintain them; and
4. general support from all stakeholders, in particular government, the utility and households.

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