

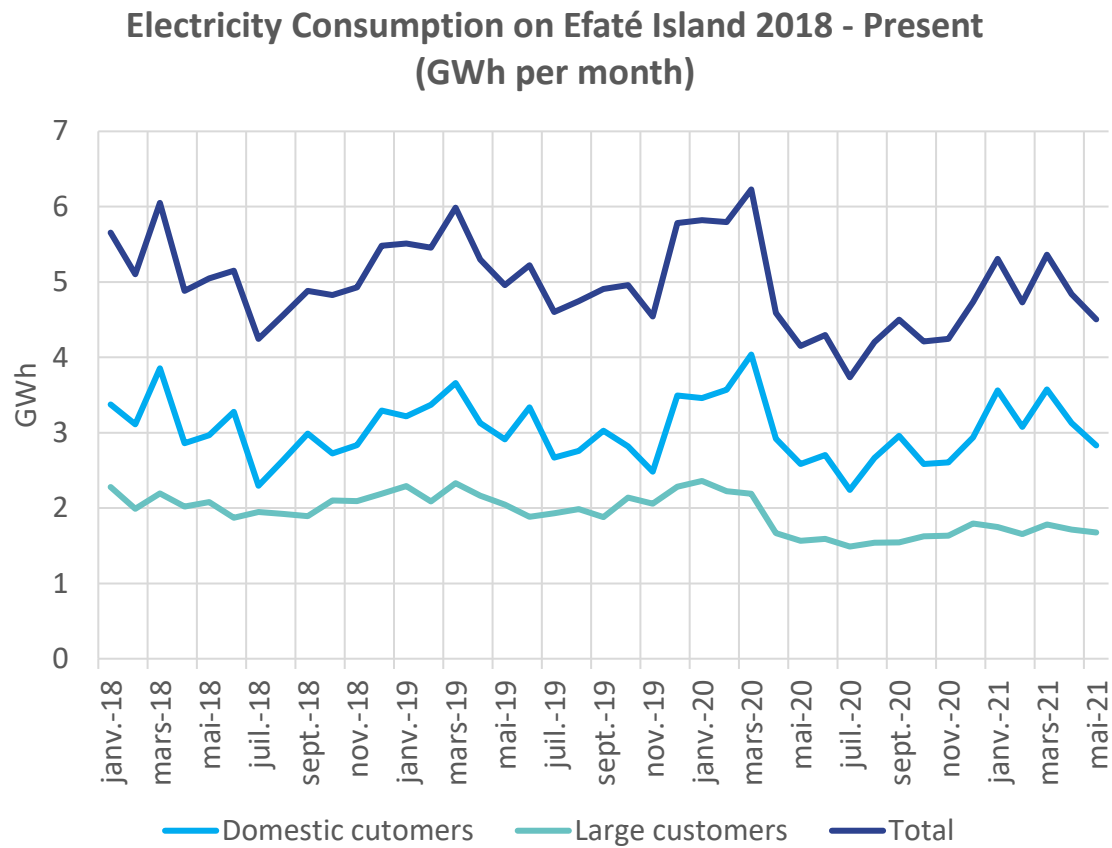


Brief PPA Update

Efate Island concession, VANUATU

August 2021

While the Vanuatu has thankfully remained COVID free, the economic impact of border closures has directly affected electricity consumption and put a strain on the financing of the electric system ...



Source: UNELCO's billing system

Overall consumption is down 13% but has now stabilized at this level

There are two contrasting realities within this total figure:

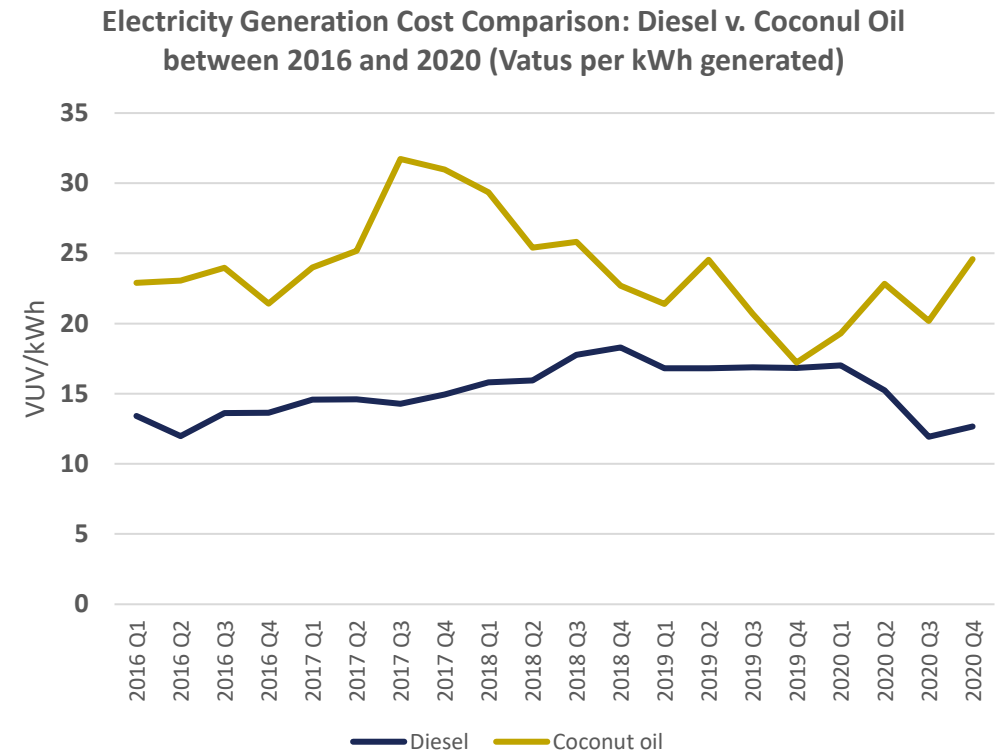
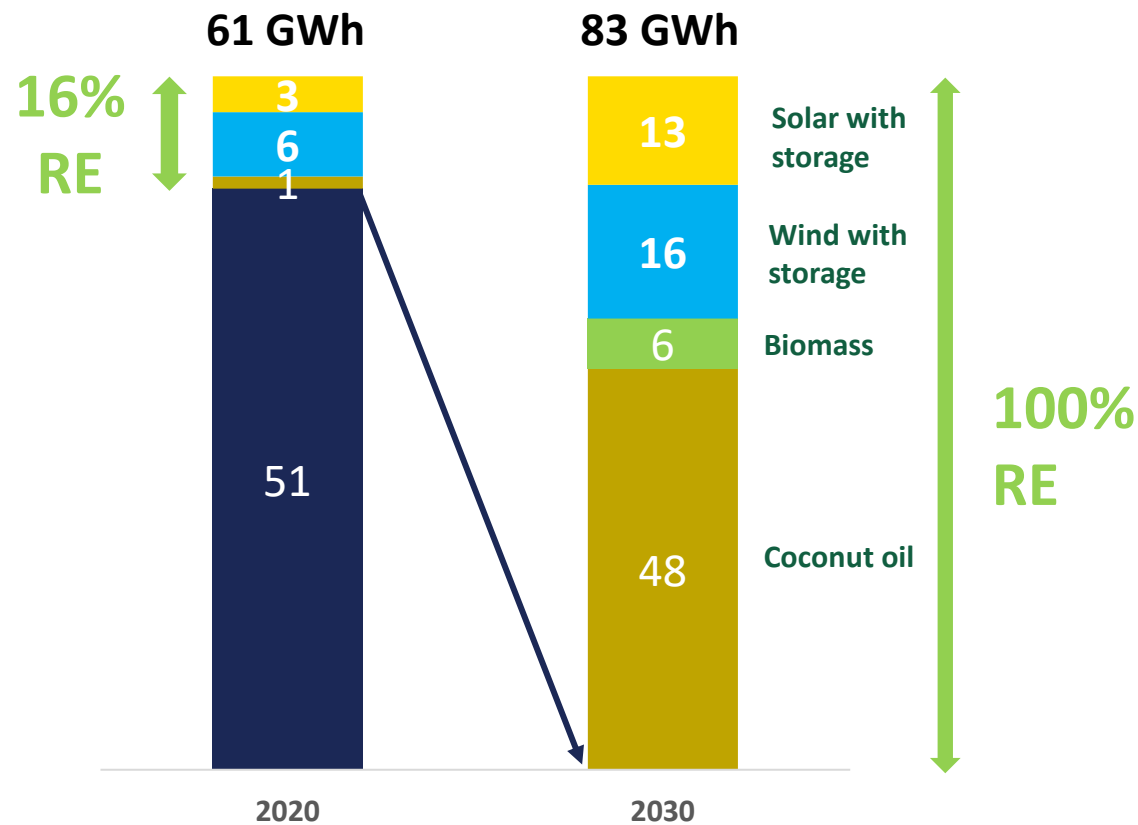
- 6% for domestic customers

- 21% for 'large' business customers

... luckily, the very recently obtained decoupling mechanism has provided a sustainable funding mechanism electric system and allowed for the resumption of network extensions and renewables investments to support energy transition objectives and the economic recovery of the country ...

- Concluded tariff arbitration has provided a **constructive tariff decoupling mechanism** that ensures:
 - **Sustainable funding of electric system in times of crisis** - COVID, cyclones, ... - and the **elimination of windfalls** for utility in times of high growth
 - **Eliminates the utility throughput incentive** and opens the way to **Energy Efficiency** and **Distributed Generation** without prejudice to electric system funding
- The stakeholders have agreed to an **ambitious masterplan** for the next 5-years, with approximately **5 M USD per year CAPEX** (utility investment share), that will increase access, renewables and also provide economic support in the form of subcontracting jobs during the COVID recovery process
- **The Tanna and Malekula concessions came to their natural term in July last year**; they are currently being managed by Government

... the Vanuatu 100% RE commitment by 2030 remains the target but is heavily challenged by the ‘least-cost constraint’ on the customer tariff side, the absence of any active development agency projects on Efate, and the prevailing market conditions of copra oil relative to gasoil.



Sources: UNELCO statistics and VNSO's coconut oil export prices