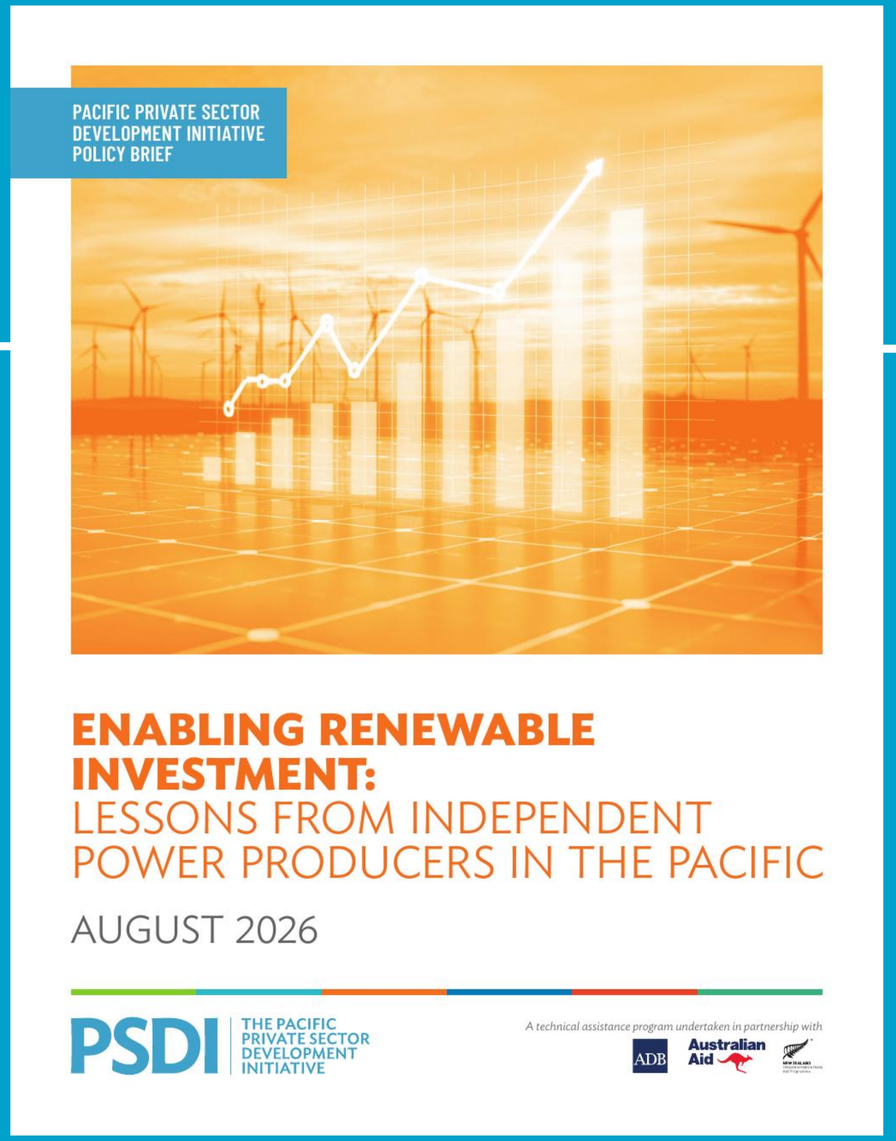
PACIFIC POWER ASSOCIATION 33RD ANNUAL CONFERENCE: CEO RETREAT
NADI NOVEMBER 2 2026

Enabling Renewable Investment: Lessons from Independent Power Producers in the Pacific

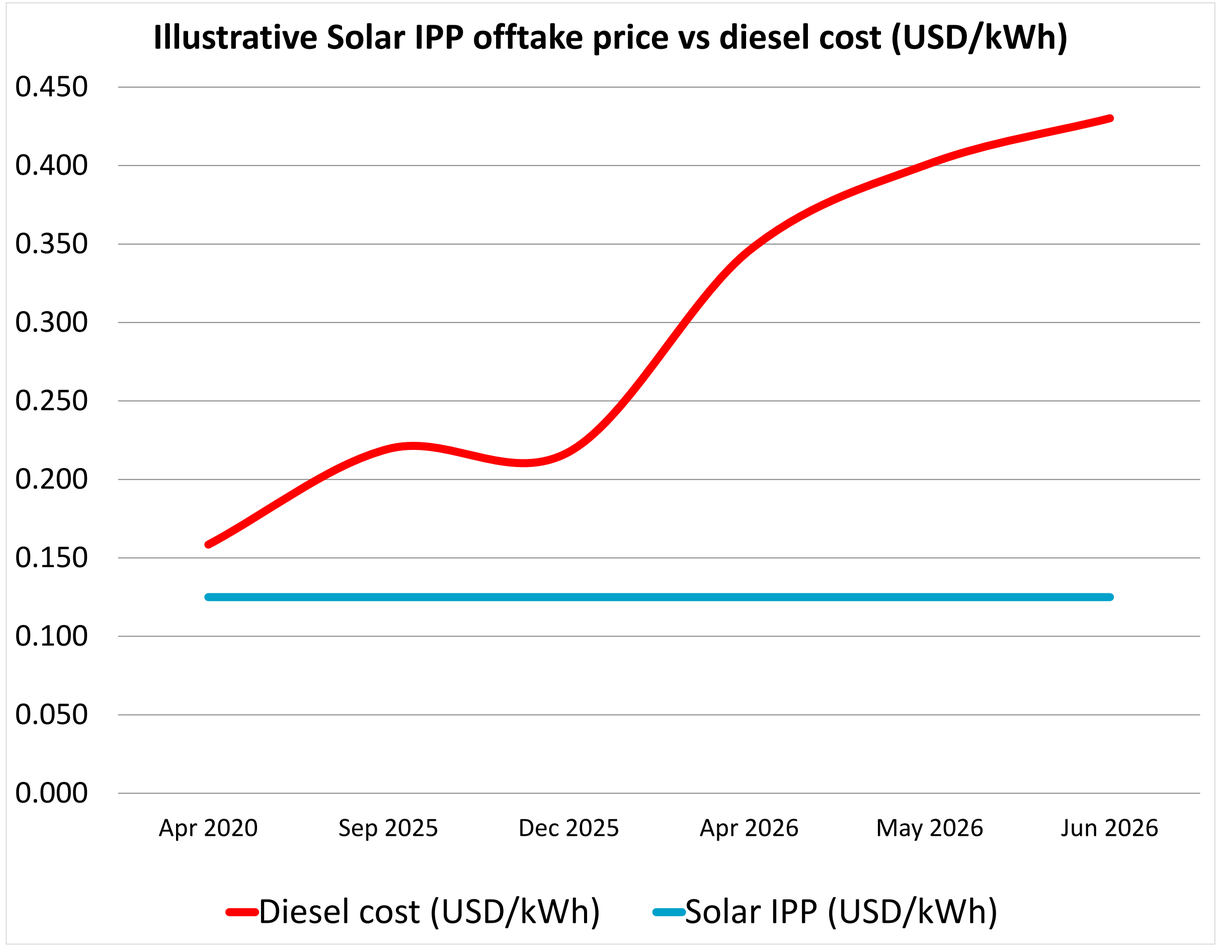


PSDI | THE PACIFIC PRIVATE SECTOR DEVELOPMENT INITIATIVE

A technical assistance program delivered in partnership with:

ADB | Australian Aid | NEW ZEALAND FOREIGN AFFAIRS & TRADE Aid Programme

The renewable transition is now a commercial imperative



<66%

In 2026, solar IPP offtake tariffs approximately one third the marginal cost of diesel

15-52%

The share of electricity generated by renewable sources in the 5 countries surveyed in 2023

70–100%

The share of electricity Pacific island countries aim to generate from renewable sources by the early 2030s

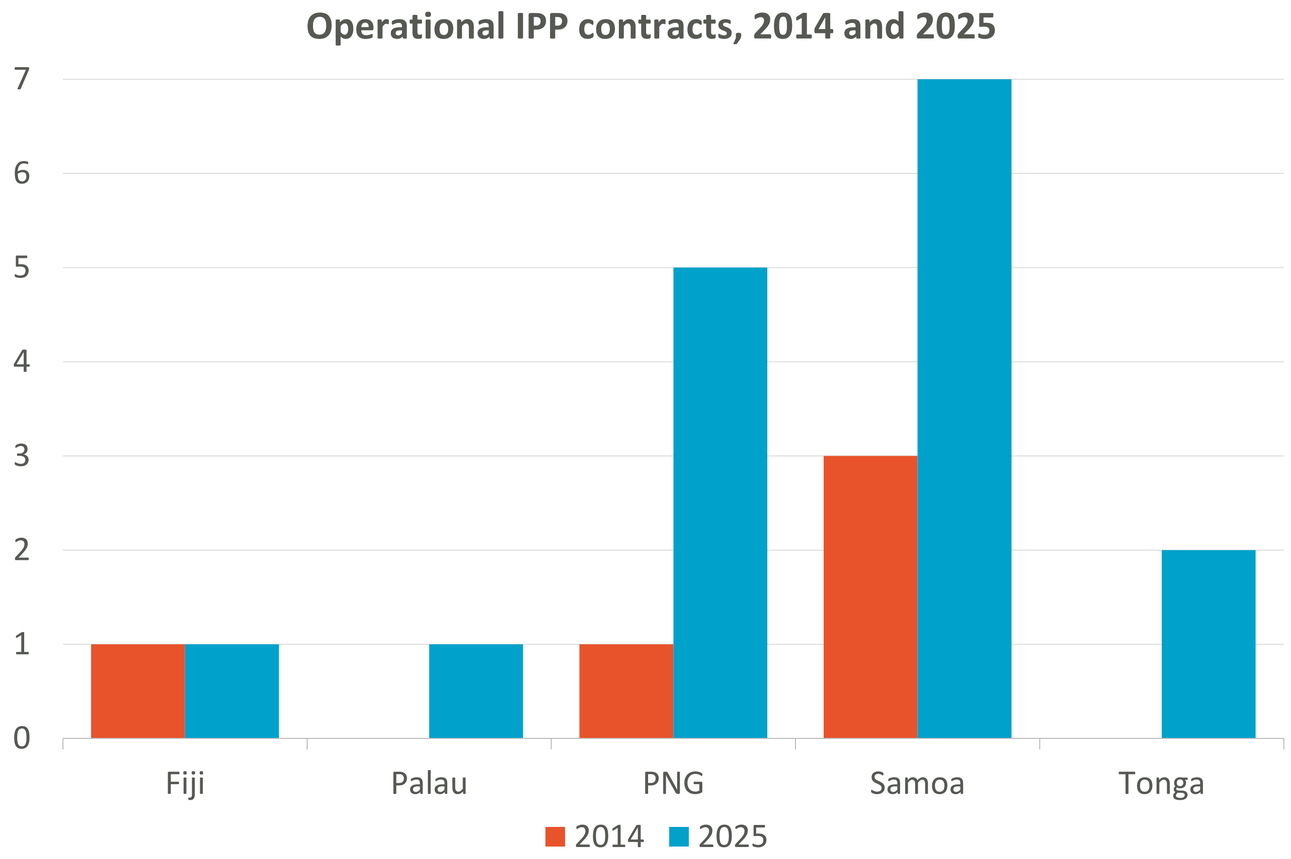
PSDI | THE PACIFIC PRIVATE SECTOR DEVELOPMENT INITIATIVE

A technical assistance program delivered in partnership with:

ADB Australian Aid NEW ZEALAND FOREIGN AFFAIRS & TRADE Aid Programme

A decade of Pacific IPP experience

- The five countries surveyed — Fiji, Palau, PNG, Samoa and Tonga — added **11 private IPP contracts** between 2015 and 2025.
- 7 of these were solar, 1 hydro, and 3 gas/HFO
- Over the same period, and starting from a similar base, Hawaiian Electric added **32 new IPP contracts**, 28 of them solar
- Kauai Island Utility Cooperative went from 14% renewable energy generation in 2014 to 51% in 2024, contracting **10 IPPs**



PSDI THE PACIFIC PRIVATE SECTOR DEVELOPMENT INITIATIVE

A technical assistance program delivered in partnership with:

ADB Australian Aid NEW ZEALAND FOREIGN AFFAIRS & TRADE Aid Programme

THE MAIN FINDING

The quality of the enabling environment — not market size — determines whether and how IPP investment materialises

PSDI | THE PACIFIC PRIVATE SECTOR DEVELOPMENT INITIATIVE

A technical assistance program delivered in partnership with:

ADB | Australian Aid | NEW ZEALAND FOREIGN AFFAIRS & TRADE Aid Programme

Four pillars of an effective enabling environment

POLICY

Commitment that binds

Clear, consistent and durable government and utility commitment to renewable energy and to IPPs with utility boards and management held to account for meeting binding targets

PLANNING

Planning coherence and grid readiness

A coherent sector investment plan built on robust demand forecasts, with grid capacity and storage assessed and financed before an IPP tender is launched

REGULATION

A creditworthy offtaker

A commercially governed, financially viable utility, with licensing and tariff-setting powers held by an independent body insulated from political direction.

PROCUREMENT

Transparent and standardised

A predictable, competitive PPP process, bankable PPA terms, and project land secured by the utility before bidders are asked to price the risk.

Fiji: a supportive regulatory framework, a reluctant utility

- **EFL is a strong operator** — over 90% electrification, the highest measured reliability among Pacific state-owned utilities, and the lowest average retail tariff ($0.17/kWh) in the South Pacific due to high levels of legacy hydro generation

- **The regulatory framework is supportive of IPPs.** The Electricity Act 2017 opened generation to competition and moved licensing and tariff-setting to the FCCC, whose independent determinations underpin EFL's creditworthiness.

- **One IPP commissioned in 2013–2025** — a 12 MW biomass plant that closed in 2018 and has run intermittently since. Over the same period EFL invested F$375 million in 211 MW of new thermal capacity

- **EFL has demonstrated a reluctance to contract out renewable energy generation:** protracted tendering, non-commercial PPA terms, and unilateral changes or cancellations have delayed projects. Four have been under negotiation since 2017–2020; none had been commissioned by 2025.

- **A new board and management installed in 2024–2025** have committed to 90% renewables by 2035, a F$2 billion capital plan and 30 MW of solar through six IPPs. A PPA for the Namosi hydroelectric plant was signed on May 1 2026 (replacing the first 2017 PPA)

Palau: clear policy and regulatory commitment, initial IPP benefits dampened by high curtailment costs

- **Policy and regulatory commitment is unambiguous:** a 100%-by-2032 target, IPP regulations in 2019 and a PPP policy in 2021 signaled that IPPs would be the preferred delivery route
- **Pressure to fast-track procurement** forced PPUC to issue an RFP without a secured site, raising engagement risk for bidders
- **Commissioned largest solar IPP in the Pacific in 2024:** 13 MW with a 13 MWh battery, about 20% of national generation capacity, on the smallest grid of the five countries surveyed
- **Sector planning and coordination challenges** have limited PPUC's ability to optimize the benefits of the new solar plant, with proliferation of rooftop solar absorbing demand and contributing to grid instability
- **The grid could not initially absorb the output,** taking only 53% of the plant's output in 2024, and approximately 70% in 2025; this will improve in 2026 with the integration of a BESS and coordinated efforts by both PPUC and the IPP

Papua New Guinea: a high risk environment

- **PNG has the longest IPP history in the region** — first plant in 1999, six more since, totaling 230 MW or 30% of grid-connected capacity. Only one of the six emerged from a competitive tender
- **PNG is building a policy and regulatory framework to support IPPs**, but has yet to implement a robust procurement framework outlining the steps, requirements, and governance arrangements for preparing and tendering IPP contracts
- **PNG Power's (PPL) financial position is a key deterrent for investors.** Arrears to IPPs exceed the utility's net assets, and Treasury prohibits government guarantees for its PPA liabilities. Shareholder intervention has frustrated efforts by the board and management to make commercial decisions
- **Tariffs have not tracked costs** since a 2013 emergency declaration. PPL shareholders allowed a 5% increase in March 2025 against the 10% recommended by the independent regulator in 2022.
- **Structural features compound the risks for investors:** ministerial approval of PPL contracts, 97% of land under customary ownership, and a reservation of sub-10 MW generation for "PNG citizen companies"

Samoa and Tonga: what consistency and preparation deliver

SAMOA

- The most active IPP market in the Pacific: five new solar plants commissioned 2014–2024, one expanded, and two sold to new sponsors; a 40MW solar plant now under preparation
- A consistent 70%-by-2031 policy, an early move to independent regulation under the Electricity Act 2010, and a utility that cut its tariff 25% between 2015 and 2020 while staying profitable.
- An IPP tariff policy based on levelized cost of electricity plus a reasonable investor return in the context of a standardized PPA
- Shareholder intervention in tariff determinations remains a risk

TONGA

- Two solar IPPs since 2017 supplying 14% of generation, and a 20 MW solar plus 55 MWh battery project in preparation
- Concessional finance directed to transmission, storage and outer islands, leaving utility-scale generation to IPPs.
- Robust sector planning, closely coordinated with development partners, has facilitated the integration of RE investments
- Tenders launched only when projects were market ready: aligned with the energy road map, site and lease terms agreed, draft PPA prepared, and grid studies completed.
- Shareholder intervention in tariff determinations remains a risk

Benchmarking Kauai: similar structural challenges, a much faster transition

PSDI | THE PACIFIC PRIVATE SECTOR DEVELOPMENT INITIATIVE

A technical assistance program delivered in partnership with:

ADB | Australian Aid | NEW ZEALAND FOREIGN AFFAIRS & TRADE Aid Programme

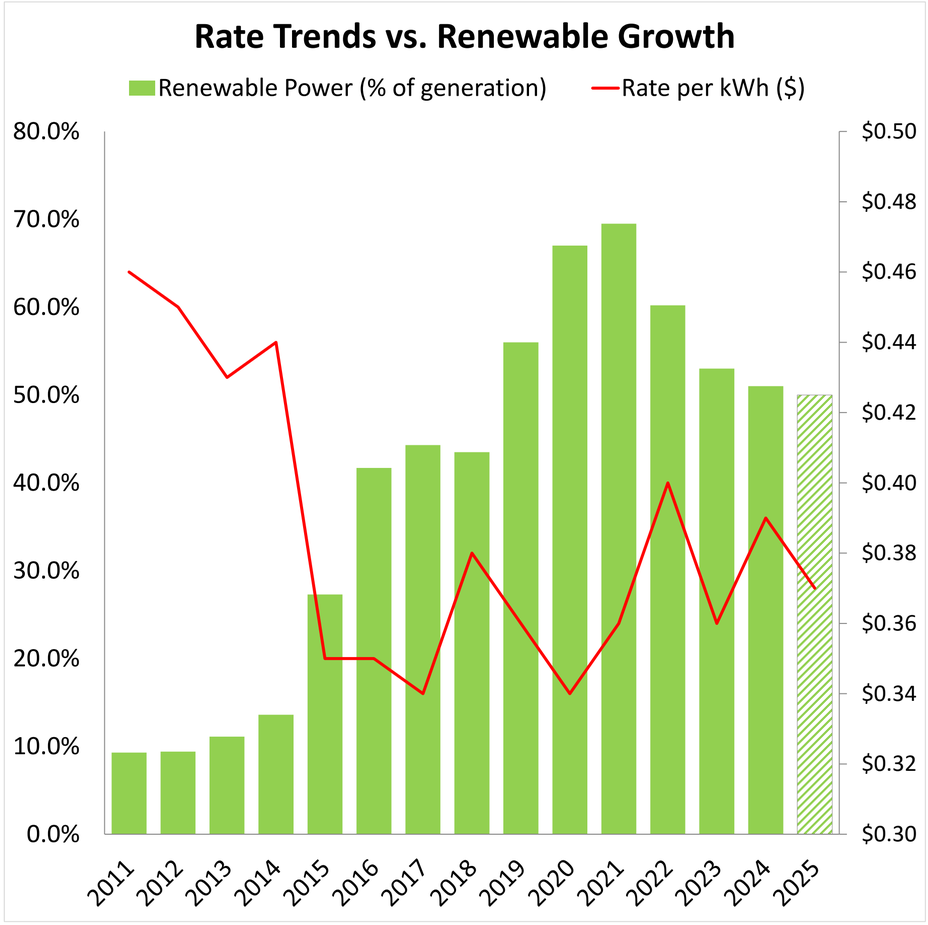
Kauai: the results

>50%

Fall in fossil fuel purchases — moving Kauai from the most expensive generation in Hawaii before 2019 to the least expensive after the pandemic
Savings have driven tariff reductions

99.98%

Reliability rate achieved in 2022, the best in Hawaii, with a steadily improving interruption frequency index since the cooperative was formed



- **Cost recovery held throughout.** KIUC recorded positive net income in every year since 2003, permitting it to invest in its network, repay debt, build a $150m equity base, and pay member dividends.
- **Ownership supplied the commitment.** A cooperative with members as both owners and consumers sustained the transition across two decades.
- **Key enabling factors similar to the Pacific:** disciplined least-cost planning, commitment to domestic renewable energy, commercially structured PPAs and coordinated investment in grid infrastructure — not scale.

Reform Priorities

PSDI
THE PACIFIC PRIVATE SECTOR DEVELOPMENT INITIATIVE

A technical assistance program delivered in partnership with:

ADB
Australian Aid
NEW ZEALAND FOREIGN AFFAIRS & TRADE Aid Programme

Four priorities that apply everywhere in the Pacific

1 Commercial autonomy & accountability

Utilities must be allowed to create and implement renewable generation plans on commercial terms, free from political intervention, with accountability for results

2 Cost-reflective tariffs

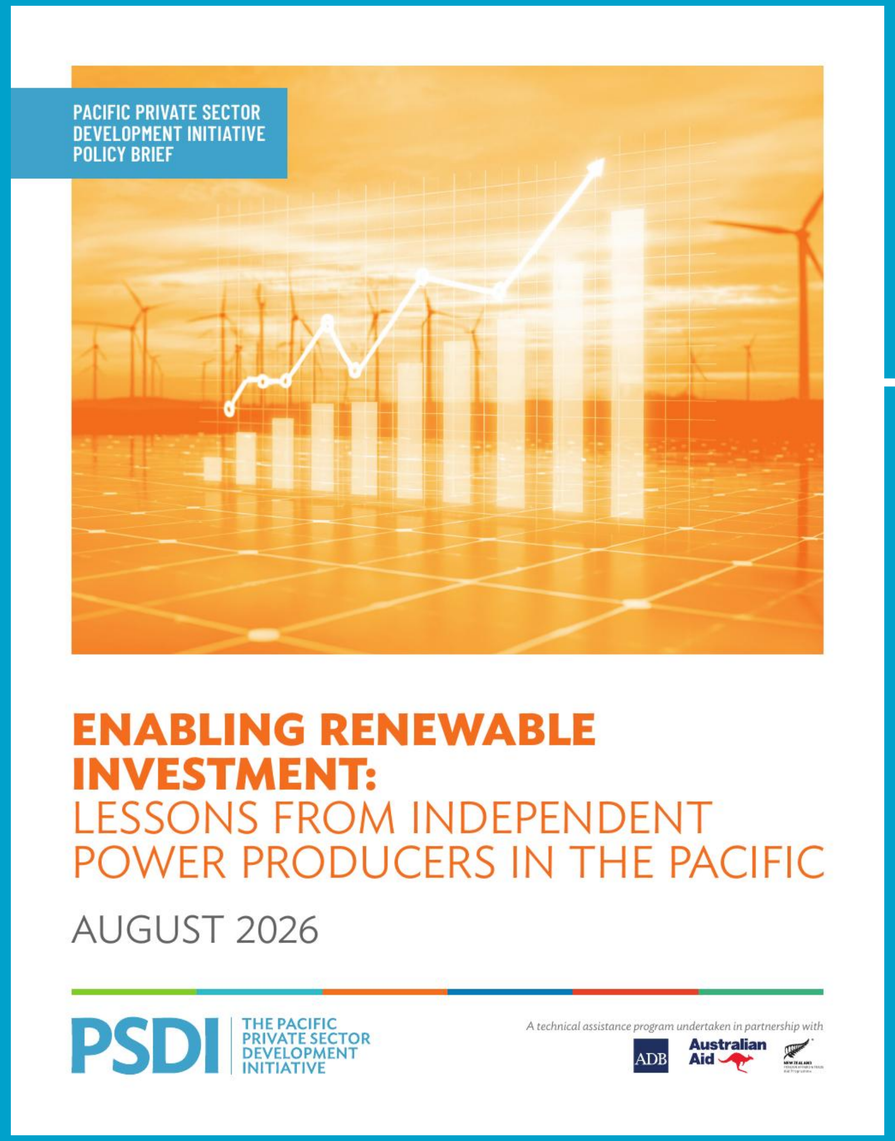
Tariff frameworks must allow full cost recovery so that utilities remain creditworthy counterparties for IPPs.

3 Competitive procurement

Transparent processes and criteria, standardized PPA terms, and clear rules for handling unsolicited proposals.

4 Prepared projects

Before tender: grid studies completed, site secured, demand forecast tested and storage planned and financed.



www.pacificpsdi.org/publications

PSDI | THE PACIFIC PRIVATE SECTOR DEVELOPMENT INITIATIVE

A technical assistance program delivered in partnership with:

ADB | Australian Aid | NEW ZEALAND FOREIGN AFFAIRS & TRADE Aid Programme