PACIFIC POWER ASSOCIATION MEETING 2026

Fuel security and energy resilience in the Pacific

Implications for utilities during the ongoing energy crisis, and four next steps for CEOs and boards

Prepared by Energy Optima Limited

Conference theme: Ensuring fair rates and reliable services while accelerating investment in renewable energy and grids

The Pacific is exposed by design

>90%

of the region's energy is imported petroleum

25–35%

paid above global benchmarks (scale, freight, logistics)

69.7%

median share of utility operating cost that is fuel (range 1.8–88%)

$126

Brent peak on 30 Apr 2026; back above $100/barrel on 9 Sep

Why it matters: fuel is the single point where affordable tariffs, reliable supply and the case for renewables and grids all meet.

Sources: Strengthening Petroleum and Liquid Fuel Security (Apr 2026); PPA Benchmarking Report FY2023 (18 of 26 utilities reporting); Reuters, 9 Sep 2026.

Shocks are stacking faster than recovery

2023
PNG Puma Energy supply crisis

2025
Pacific Energy tanker breakdown

28 Feb 2026
Iran war begins; Hormuz flows curtailed

Apr 2026
Brent peaks at $126; Leaders invoke the Biketawa Declaration for the first time on a fuel crisis

May 2026
Ministers adopt the PRETMM Call to Action

9 Sep 2026
Brent back above $100; IEA sees 2026 global supply down ~4.3 mb/d

The pattern: a small-cargo, hub-and-spoke system pays a premium at every step. One tanker or one strait can cascade across several countries.

Sources: Information paper on the fuel crisis (ADB, 2026); Strengthening Petroleum and Liquid Fuel Security (Apr 2026); Reuters, 9 Sep 2026.

What it does to utility costs, tariffs and reliability

OPERATING COSTS

69.7%

median fuel share of opex

- Fuel is the largest generation cost in most PICTs
- Freight and insurance premiums pass straight through
- Few buffers: most lack stabilisation funds or hedging

TARIFFS

106.7%

median operating cost recovery

- 4 of 17 utilities recover less than 100%
- Almost all show a gap between revenue and cost of service
- Government-set tariffs often sit below cost of supply

RELIABILITY

3.5 vs 4.0

kWh/litre: median vs PPA benchmark

- Some countries hold under 30 days of stock (e.g. Kiribati 25, Tuvalu 28)
- Maintenance and spares squeezed when cash is tight
- Outer islands stock out first

Sources: PPA Benchmarking Report FY2023 (data pre-date the 2026 shock, so the current position is likely weaker); PPA Strategic Plan 2025–2029; Pacific Community fuel security indicators (indicative).

Options for emergency fuel access

IEA-style ticketing

Government or a regional body holds contractual rights to buy stock held by oil companies or in others' tanks.

Pacific fit: Reserve without new tanks; needs legal stockholding duties and supplier buy-in.

Offshore storage

Emergency stock held in hub terminals or leased storage abroad, released on pre-agreed triggers and tanker routes.

Pacific fit: Suits atolls with little land; needs cost-sharing and shipping protocols.

Stronger regional hubs

Fiji, Guam and Samoa already serve neighbours. Proposal: Fiji supporting Cook Islands, Tonga and Tuvalu.

Pacific fit: Needs tank and port rehabilitation and common fuel grades (10 ppm diesel).

Mini-hubs such as Samoa

Smaller nodes spread risk beyond one or two hubs and use tank space freed as solar displaces diesel.

Pacific fit: Limited by coastal tanker capacity and shallow ports.

Sources: hubs and gaps from the Information paper and Strengthening Petroleum papers (2026). Ticketing and offshore storage are drawn from international practice, not detailed in those papers; feasibility to be tested.

Buy together, tender openly, smooth the shocks

Regional procurement

- **Pilot first:** Micronesia cluster (FSM, RMI, Naoero), then scale to other sub-regions.
- **Competitive tendering:** transparent price discovery, aggregated freight, a wider supplier base.
- **One specification:** common 10 ppm diesel and 92/95 RON petrol so stock can be shared.
- **Enablers:** development partners and utilities with tendering expertise share lessons on tender design, shared storage and a creditworthy buyer.

Price stabilisation tools

- **Stabilisation facility:** FSM had a Japan US$3.1m grant plus a US$5m sovereign-guaranteed facility that held prices steady.
- **Hedging:** EFL 2023 fuel cost $192.97m vs $245m revised budget, with a $2.9m net realised gain.
- **Price smoothing:** regulated bands in Fiji, Naoero, Niue, Kiribati and Solomon Islands.

Caution: smoothing defers cost, it does not remove it. Set funding rules and exit triggers up front.

Sources: Information paper on the fuel crisis (ADB, 2026); PPA Strategic Plan 2025–2029 (EFL 2023 figures as reported in the Plan); Micronesian Islands Forum resolution 28-10.

Volatility is the case for renewables and grids

25–70%

projected cut in diesel use by 2027 from investments under way; freed tanks can hold reserves

15.5%

median utility RE share; the leaders (Fiji, PNG, Samoa) rely on legacy hydro

+24%

a year growth in solar PV generation, but it needs grid upgrades, storage and controls

The link to fuel security: every litre of diesel displaced also frees tank space that can hold emergency reserves.

Sources: RE contribution 2023 from PPA Benchmarking Report FY2023 (as tabulated in the Strengthening paper); PPA Strategic Plan 2025–2029; the 25–70% diesel reduction is a regional projection.

Governance: six questions for CEOs and boards

1 Risk appetite

What price and supply shock can we absorb? Set tolerances and triggers.

2 Stock and contingency

Minimum days of cover, rationing and load-shedding plans, tested each year.

3 Procurement integrity

Competitive tender by default, clear conflict rules, transparent evaluation.

4 Tariff pass-through

Agree fuel adjustment and stabilisation rules with government and regulator before the next spike.

5 Investment sequencing

Rank RE, storage and grid projects by fuel saved per dollar; protect maintenance budgets.

6 Data and assurance

Report fuel days, cost per kWh and SFC to the board monthly; benchmark through PRISM.

Benchmarking links stronger governance (independent boards, strategic planning) with better financial results.

Sources: PPA Benchmarking Report FY2023 (governance findings and priorities); PPA Strategic Plan 2025–2029; Information paper on the fuel crisis (ADB, 2026).

The PPA Strategic Plan already provides the platform

Objective 3.3	Manage petroleum cost and supply risk
Goal 1	RE transition, grid integration and storage support
Goal 6	Tariff reform and standard PPA frameworks
Technical Response unit	Rapid utility support

Plan references: PPA Strategic Plan 2025–2029, Goals 1, 3 and 6. The next steps that follow are suggestions for discussion.

Four next steps for CEOs and boards to endorse

1

Back the Micronesia bulk procurement pilot and test a Samoa mini-hub

Aggregate demand; use existing storage

2

Task PPA to scope fuel-risk options

Ticketing, storage and hedging

3

Adopt a board-level fuel risk dashboard at every utility

One page, updated weekly

4

Align the RE and grid pipeline with ADB, PRIF and partners

Diesel displacement is the lasting fix

1. Back the Micronesia pilot and test a Samoa mini-hub

Micronesia bulk procurement

- Resolution 28-10 (Aug 2026) sets up a Working Group covering FSM, RMI and Naoero, with others joining voluntarily
- It will test technical, legal and commercial feasibility before any binding deal
- SPC and PRIF asked for technical support

Samoa mini-hub

- Fiji, Guam and Samoa already act as regional storage hubs
- Test Samoa serving neighbours with shared storage, drawing on lessons from American Samoa
- Freed diesel tanks from renewables can hold reserves without new capital

Ask: utility CEOs name a focal point and share demand and storage data.

Sources: Micronesian Islands Forum resolution 28-10; Information paper on the fuel crisis (ADB, 2026).

2. Task PPA to scope fuel-risk options

1 Ticketing

- Pre-agreed rights to buy stock held elsewhere (IEA-style)
- Needs minimum stockholding rules and harmonised fuel grades (10 ppm diesel) so stock can move

2 Storage

- Minimum stock obligations, shared hubs and rehabilitation of ageing tanks
- Majuro Tank Farm shows concessional finance works

3 Hedging

- Solomon Power is progressing toward a fuel-hedging program; fuel is 42% of its total expenditure
- Most Pacific utilities still operate without any hedging mechanism
- EFL 2025 fuel cost was FJ$207m against a FJ$225m budget

Ask: PPA returns a costed options paper with a recommendation for the next board round.

Sources: Solomon Power Annual Report 2025; EFL Annual Report 2025; Information paper on the fuel crisis (ADB, 2026).

Precedent: the Cook Islands publishes fuel cover weekly

39 days

Rarotonga diesel for electricity

129 days

Aitutaki diesel for electricity

What the public page shows

- Days of cover by island and fuel, updated every Monday and labelled as estimates
- A response phase (currently Amber) that triggers support measures
- Outer islands marked “awaiting update” where data is missing
- A published framework and FAQs for the public

Lessons for utilities

- Simple beats comprehensive: days of cover first
- A fixed weekly rhythm builds trust
- Visible gaps show where reporting must improve
- Pair every reading with a pre-agreed action

Source: MFEM Cook Islands Energy Update, data as at 23 September 2026 (best estimates, not live).

3. Board fuel risk dashboard (illustrative demo)

DAYS OF COVER

38

Floor 30 days; trigger 35

NEXT CARGO

12 days

ETA; confirmed, on schedule

FUEL SHARE OF OPEX

42%

Up 6 pts on last quarter

RENEWABLE SHARE

49%

Target 60%

PRICE PASS-THROUGH

Monthly

Lag 30 days

HEDGE COVER

40%

Next 6 months volume

Read in one minute: cover is trending down toward the trigger, fuel takes 42% of spend and hedge cover is partial. Below 35 days, the CEO reports weekly and activates the emergency purchase plan.

Sample data only. Not a real utility.

4. Align the RE and grid pipeline with financiers

Fiji (EFL)

49.4%

of 2025 output from renewables

- About 165 MW of grid solar with batteries
- Two hydro projects: Qaliwana and Vatutokotoko
- Backed by a $550 million syndicated facility

Solomon Power

3 MW

Honiara solar today

- Roadmap adds up to 21 MW solar and 9 MW / 24 MWh battery by 2030
- Tina River hydro to displace diesel

Region

25–70%

projected cut in diesel use by 2027

- Frees storage and lowers import exposure

Ask: share one pipeline list with ADB, PRIF and partners (AIFFP, Japan, NZ, Australia) so grid, storage and fuel investments are sequenced together.

Sources: EFL Annual Report 2025; Solomon Power Annual Report 2025; ADB/SPC information paper (2026).

Proposed decisions

1. Endorse the Micronesia pilot and nominate a Samoa mini-hub focal point
2. Mandate PPA to scope ticketing, storage and hedging options
3. Commit each utility to a board fuel risk dashboard, starting with days of cover
4. Agree one shared RE and grid pipeline for ADB, PRIF and partners

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