



## **TERMS OF REFERENCE**

### **Scaling-up Renewable Energy Program (SREP)**

#### **Join Programming Mission**

**19 - 22 Aug 2013**

**Solomon Islands**



Asian Development Bank

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## 1. BACKGROUND

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1.1 The **Climate Investment Funds (CIF)** support developing countries as they move toward low emissions and climate resilient development. The CIF provides developing countries with grants, concessional loans, and risk mitigation instruments that leverage significant private sector, MDB, and other co-financing. Five Multilateral Development Banks (MDBs) - the African Development Bank (AfDB), Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IDB), and World Bank Group (WB), including the International Finance Corporation (IFC) - are the implementing agencies of CIF funded projects and programs.

1.2 The CIF's financial architecture rests on two trust funds: (i) the Clean Technology Fund (CTF); and (ii) the Strategic Climate Fund (SCF):

- The CTF finances the scaled-up demonstration, deployment, and transfer of clean technologies. The focus is on piloting investments in countries or regions that have the potential for significant greenhouse gas abatement.
- The SCF finances targeted programs that pilot new approaches with the potential for scaling up. The SCF includes the Forest Investment Program , the Pilot Program for Climate Resilience, and the **Scaling Up Renewable Energy Program in Low-income Countries (SREP)**.

1.3 The objective of the SREP is to pilot and demonstrate the economic, social and environmental viability of low carbon development pathways in the energy sector by creating new economic opportunities and increasing energy access through the use of renewable energy. An initial group of six pilot countries was selected to receive funding under the SREP program (i.e., Kenya, Ethiopia, Mali, Nepal, Honduras, Maldives). In addition, a group of 'waitlisted' countries, including Pacific Regional (Vanuatu, Solomon Islands), was selected to receive SREP funding provided additional resources become available. In March 2012, the SREP sub-committee agreed upon the upper amount of funding and order of priority in which funding would be allocated to these countries: (1) Tanzania, US\$50 million; (2) Liberia, US\$50 million; (3) Yemen, US\$40 million; (4) Armenia, US\$40 million; (5) **Pacific Regional (Vanuatu, Solomon Islands)** with regional capacity building program, **US\$30 million**; and (6) Mongolia, US\$30 million. As of March 2013, only Tanzania and Liberia have secured SREP funding, implying that Pacific Regional (Vanuatu, Solomon Islands) will receive SREP funding once additional resources have become available for Yemen, and Armenia (in this order).

1.4 During Phase I of the implementation of the SREP ADB and the WB/IFC will be supporting the Government of Solomon Islands and other relevant stakeholders - United Nations Organizations, bilateral partners, private sector companies, non-governmental organizations and civil society organizations - in developing the SREP investment plan for Solomon Islands. The finalization and endorsement of the investment plan by the SREP Sub-Committee marks the beginning of implementation (Phase II). Separate TOR will be prepared for the similar efforts for Vanuatu.

## **2. COUNTRY CONTEXT**

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2.1 Solomon Islands are made up of hundreds of coral and small volcanic islands forming an archipelago that is very vulnerable to climate change, global warming and their effects. Such effects include; increased frequency of extreme events such as tropical cyclones, coastal flooding and severe drought. These affect coastal zones, water resources, agriculture and bio-diversity which are vital to the welfare and livelihoods of communities and to the economy of the country. Also, the many low lying islands are in danger of being affected by rising sea levels. Overall this level of vulnerability is exacerbated by the fact that about 70% of Solomon Island's population and infrastructure are located in the coastal areas/zones, rendering them highly vulnerable to climate change and sea-level rise.

2.2 The country also has the potential to contribute towards mitigating the causes of climate change. The country's forest cover provide a source of carbon sink and its many rivers are potential sources for renewable energy that can be harnessed to help reduce the country's demand for fossil fuels.

2.3 Solomon Islands have embarked on initiatives to place it in a position to undertake measures to mitigate the causes of climate change. Government has just recently published the climate change policy focusing on both climate change adaptation and mitigation and has identified number of opportunities. Solomon Islands will soon be implementing the Pacific Islands Greenhouse Gas Abatement through Renewable Energy Project (PIGGAREP) – focusing on developing a clean and renewable energy sector to mitigate the impact of climate change.

2.4 Installed capacity in Honiara is 26MW (peak load 14.3MW) and combined installed generation capacity in the outer islands is around 4MW. Provision of electricity services is concentrated on Honiara in Guadalcanal. While 87% of the national installed power generation is located in Honiara, Guadalcanal accounts for 12% of the population of the Solomon Islands (total population 553,000). Electricity generation in Solomon Islands is 100% diesel generated with the exception of mini-hydropower operated in Maluu (0.04MW) and Buala (0.15MW). There is currently no private sector participation in power generation in the Solomon Islands.

2.5 Due to the reliance on diesel generation, power tariffs in Solomon Islands are relatively high. SIEA charges a national uniform tariff, which in 2010 was \$0.59c/kWh to residential customers and \$0.63/kWh to commercial customers. Due to the high cost of transporting diesel to the outstations, generation costs in the outer islands are considerably higher than Honiara. (\$0.53 in Honiara compared to \$0.94 in Lata). Nationwide electricity is supplied to approximately 14% of the population. Electrification is largely confined to Honiara and eight provincial centers. Outside of these urban centers, less than 5% of the rural population has access to electricity through a small number of off-grid and individual household solar and diesel systems. Electricity access rates in Guadalcanal (Honiara) is 20% and Western Province is 17%, however access rates in the remaining provinces is extremely low, for example Malaita 3%, Temotu 3%, Choiseul 2%.

2.6 Existing off-grid renewable energy projects in Solomon Islands include a range of household solar system programs and a small number of community based pico-hydropower schemes operating in remote villages. Wind monitoring is also proposed at target sites<sup>2</sup>. Grid connected renewable energy is limited to mini-hydropower at Buala and Malu'u and an SIEA trial to replace diesel with coconut oil in the second largest outstation (Auki, Malaita). The Tina River Hydropower Project (14MW) is currently being developed to supply the Honiara grid.

2.7 The Government is committed to promoting the development of renewable energy in the country and to that end expressed its interest to be one of the pilot countries under SREP and was included in the reserve list.

### **3. PREPARATORY ACTIVITIES**

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3.1 The Government of Solomon Islands, with support of MDBs, undertook a number of preparatory activities: (a) confirmation of the interest to start with the development of the SREP investment plan; (b) identification of stakeholders; (c) identification of potential areas for SREP support; (d) submission of the request for advance preparation grant for the development of SREP investment plan.

3.2 On 22 June 2012, the Government confirmed its interest to start with the preparation of the SREP investment plan and submitted the Confirmation of Interest Form. The MDB scoping mission visited Solomon Islands on August 13-17, 2012 to discuss and agree on key activities required for the initiation of the SREP investment plan development, including timing and objectives of the joint MDB mission.

3.3 The Ministry of Mines, Energy & Rural Electrification, as the national implementing agency, submitted the Proposal for US\$250,000 Preparation Grant to develop the investment plan through the Asian Development Bank. The proposal contains description of activities to be

covered by the preparation grant, including description of the scope of work for consultant to support with development of the investment plan. ADB has engaged experts to assist the Government in preparing the IP. The Government is aiming to submit the IP for SREP Sub Committee consideration for endorsement in its November 2013 meeting.

#### **4. PROGRAMMING MISSION - OBJECTIVES**

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**4.1 The MDBs are organizing this Joint Programming Mission to assist the Government of Solomon Islands in preparing the SREP investment plan.**

4.2 The objectives of the Joint Programming Mission are outlined below:

- Review the initial assessment reports prepared by the experts
- Hold consultation workshop about the initial approach and focus of the Investment Plan with stakeholders;
- Agree on the scope and outline of the investment plan;
- Agree on the timeline to prepare the investment plan.

4.3 The main outputs of the joint programming mission will be (i) completion of a consultation process engaging key stakeholders in the design of SREP support to Solomon Islands, (ii) initial draft SREP investment plan document, and (iii) an Aide Memoire including the agreed next steps for SREP in Solomon Islands.

#### **5. DATES**

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5.1 The proposed dates for the Joint Programming Mission are **19-22 August 2013**.

#### **6. PARTICIPANTS AND PROPOSED AGENDA**

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6.1 The Joint Programming Mission will be coordinated by the Government through the Ministry of Mines, Energy & Rural Electrification, which is the implementing entity for SREP in Solomon Islands. Identified stakeholders list is in Annex 1 and criteria and suggested outline of SREP is in Annex 2 and 3.

6.2 The SREP mission team will include Anthony Maxwell (Sr. Energy Specialist, ADB), Jiwan Acharya (Senior Climate Change Specialist, ADB), Tendai Gregan, Energy Specialist,

World Bank, and John Anakotta, AusAID. Some parallel meetings may be arranged to ensure broader and deeper consultations with other stakeholders, including commercial banks, private sector developers and industry.

6.3 The MDBs focal points for SREP in Solomon Islands are:

- WB: Tendai Gregan (tgregan@worldbank.org)
- IFC: Ian Crosby (ICrosby@ifc.org)
- ADB: Anthony Maxwell (amaxwell@adb.org)

6.4 The Government focal point is: Mr. John Korinihona (Director of Energy Division, Ministry of Mines, Energy & Rural Electrification, john.korinihona@yahoo.com).

6.5 Table I presents a tentative agenda and timetable for the activities for the Joint Programming Mission.

Table I: Tentative Agenda and Timetable

Date	Morning	Afternoon
<b>Monday</b> <b>Aug 19, 2013</b>	Team arrives	Internal MDB team meeting
<b>Tuesday</b> <b>Aug 20, 2013</b>	Kick off meeting with Ministry of Finance and Treasury Kick-Off Meeting with Director of Energy Division, Ministry of Mines, Energy & Rural Electrification	Meetings with Government agencies and Development Partners
<b>Wednesday</b> <b>Aug 21, 2013</b>	Stakeholder Workshop	Meetings with Government agencies and Development Partners
<b>Thursday</b> <b>Aug 22 2013</b>	Wrap-up meetings	Team departs

## **ANNEX 1. PRELIMINARY LIST OF STAKEHOLDERS**

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### **I. Development Partners**

1. European Union
2. Government of Australia
3. Government of New Zealand
4. Government of Japan

### **II. Civil society:**

1. World Vision
2. Rokota' aniken Women's Association
3. Anglican Church's Mother's Union Group
4. Oxfam
5. Tetepare Island Descendants' Association
6. Various Environment Conservation Associations around the country
7. Various women's groups around the country
8. ADRA Solomon Islands
9. Various church groups around the country

### **III. Private Sector:**

1. Guadalcanal Plains Palm Oil Ltd (GPPOL)
2. Solomon Islands Chamber of Commerce
3. BJS Group of companies
4. Solomon Islands Electricity Authority (State-owned Utility)
5. Pelena Energy (SI Ltd)
6. SKM
7. Varivao Holdings Ltd
8. Gold Ridge Mining Ltd
9. Sumitomo Metal Mining (Solomons) Ltd
10. Kolombangara Forest Plantations Ltd
11. Eagon Pacific Plantation Co. Ltd
12. Soltai Fishing & Processing Ltd
13. National Fisheries Development Ltd
14. Kokonut Pacific (SI) Ltd
15. South Pacific Oil Ltd
16. Energy Origin



## **Annex 2: Criteria for the Sub-Committee to Assess the Investment Plan**

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- a) **Increased installed capacity from renewable energy sources:** A high priority for most low income countries is expanding their generation capacity in order to ramp up modern energy use and energy access. Therefore, SREP-funded investments should result in increased MW from renewable energy, as well as increased energy (GWh) per capita in the country.
- b) **Increased access to energy through renewable energy sources:** SREP may support grid extensions and decentralized energy systems with a view to expanding the percentage of the population with access to non-fossil-fueled electricity. Investment proposals should demonstrate how the investments are part of the Government's long term commitment to increasing energy access.
- c) **Low Emission Development:** SREP may support the use of renewable energy technologies for electricity generation and services to replace fossil fuel technologies that would be deployed in a business-as-usual scenario aimed at substantially increasing commercial energy use in low income countries. In particular, benefits from SREP investments will often arise from "leap-frogging" technologies, in which low income countries will be assisted to mainstream renewable energy technologies into the overall energy system.
- d) **Affordability and competitiveness of renewable sources:** Affordability is essential for increasing access and for ensuring the long term renewable energy market development. SREP funding should address clearly-defined cost barriers to adoption of renewable energy technologies, such as connection costs for rural consumers, higher capital costs of new technologies, transmission costs related to grid-connected renewables, and risk adjusted rates of return sought by investors.
- e) **Productive use of energy:** SREP programs should promote the generation and productive use of energy.
- f) **Economic, social and environmental development impact:** Investment proposals for SREP financing should demonstrate the generation of economic, social and environmental benefits.
- g) **Economic and financial viability:** Investment proposals should demonstrate the economic viability of investments and the financial viability with the inclusion of time bound SREP resources.
- h) **Leveraging of additional resources:** Activities should maximize the leverage of funds from other partners.
- i) **Gender:** SREP investments should seek to strengthen the capacity of women to be active participants in the economic sector and avoid negative impacts on women.
- j) **Co-benefits of renewable energy scale-up:** SREP investments should include decreased air pollutants from energy production and consumption as well as the potential to reduce stress on forest resources. Investments and activities should elaborate on the potential positive effects on air quality and natural resource management through the adoption of renewable energy technologies.