# RMI Energy Sector Reforms

*Including Marshalls Energy Company Reform Update*

## Session 1 Presentation 1c

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# PART I:
# ENERGY SECTOR REFORMS

# July 2008

- Due to unprecedented increases in the costs of energy, the National Government officially declared a State of Economic Emergency

# 2009 RMI National Energy Policy

OBJECTIVE:

- An improved quality of life for the people of the Marshall Islands through clean, reliable, affordable, accessible, environmentally appropriate and sustainable energy services

# RMI VISION 2018

To become a country in an inter-dependent world, with an enhanced socio-economic self-reliance, and an educated, healthy, productive, law-abiding and God-loving people in which individual freedom and fundamental human rights are protected, and culture and traditions are respected, and development and environmental sustainability are in harmony

# National Energy Policy: 5 Key Areas

- Petroleum and Liquid Fuels
- Electric Power
- Transport and Energy Use
- Energy Efficiency
- Renewable Energy

# Initial Steps towards Energy Security

- Energy Task Force
- Energy Planning Division (Ministry of Resources & Development)

# Energy Efficiency

- CFL Distribution Project
- Energy Efficiency Project
- Streetlights Retrofitting Project
- Installation of Pre-paid meters

# Renewable Energy

- Majuro Hospital Grid Connected Project
- The NORTH REP Project
- Outer Island SHS Project
- REP 5 Project
- Action for Development of Marshall Islands Renewable Energies (ADMIRE)

# NO DUPLICATION
# FIVE YEAR VIABILITY

# Way forward…

# RMI Energy Priorities

- Electrification of 100% of all urban households and 95% of rural outer atoll households by 2015
- The provision of 20% of energy through indigenous renewable resources by 2020
- Improved efficiency of energy use in 50% of households and businesses, and 75% of government buildings by 2020
- Reduce supply side energy losses from MEC by 20% by 2015

# "Many Partners, One Team"

- An energy secure Pacific based on a robust energy sector that supports and promotes sustainable development in Pacific Island countries and territories aiming at efficient production and use of energy for sustainable development, anticipating increased energy security and access to clean energy

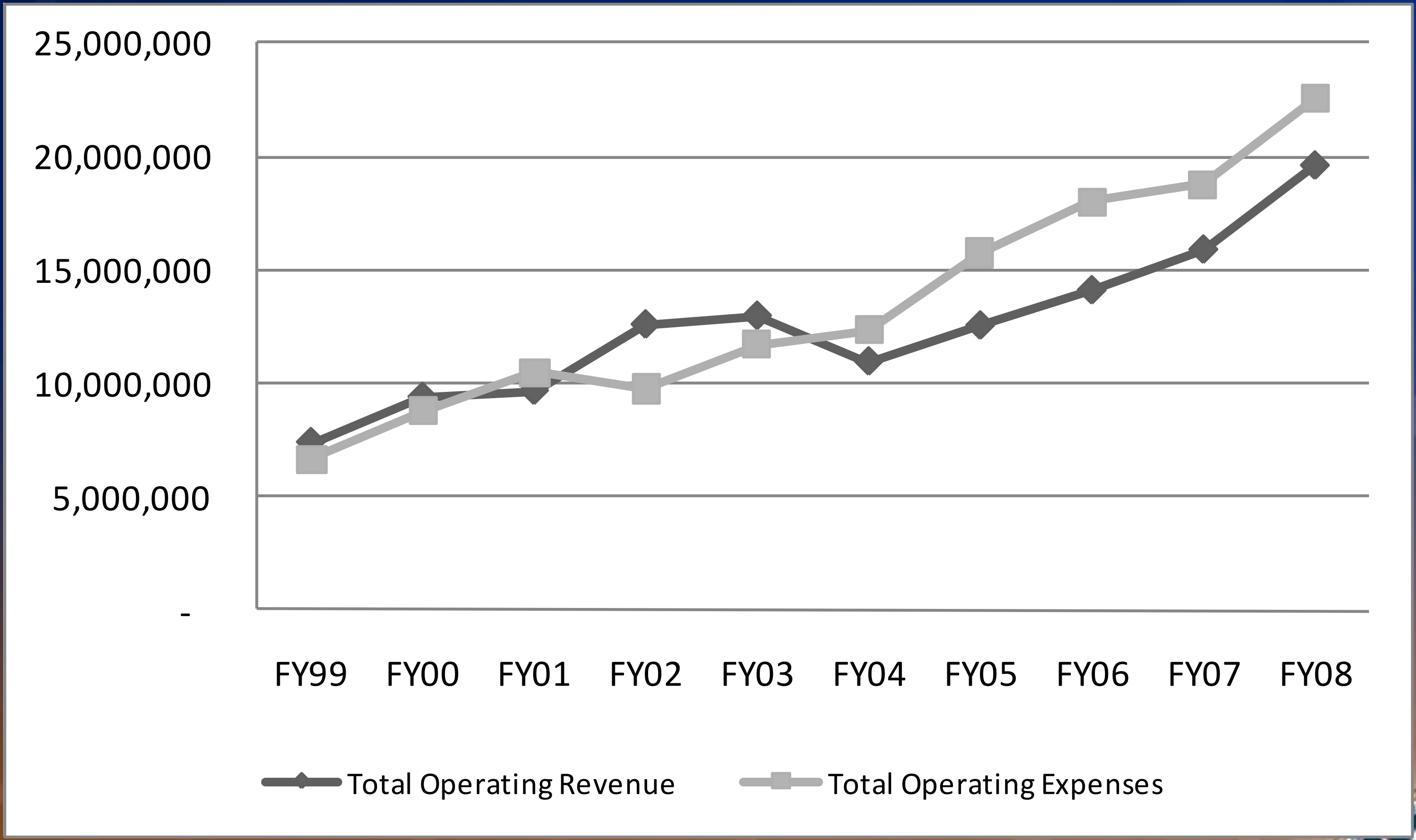
– Pacific Regional Energy Policy

# PART II:
# MARSHALLS ENERGY COMPANY REFORM UPDATE

# Background

- Commercial debt of over $16M
- Operating loss at $4M per annum (FY08)
- A/R at over $6M
- System Loss at 25% ($3.2M)
- Condition of core capital assets in disrepair (generators and distribution lines and fuel farm)

# Background



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FY99
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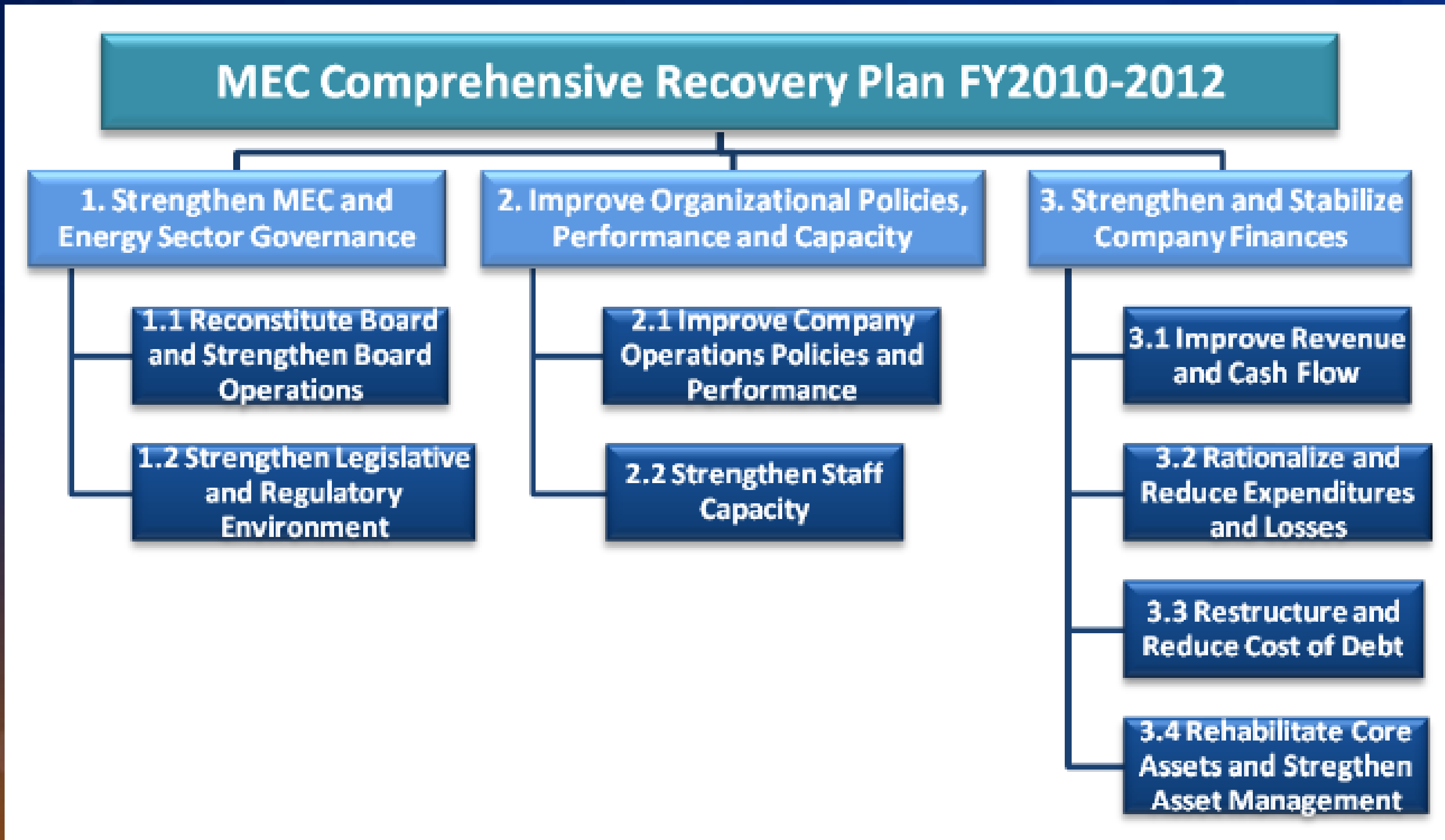
FY07
FY08
Total Operating Revenue
Total Operating Expenses

# Comprehensive Recovery Plan



# CRP Completed Objectives

GOAL 1: Strengthen MEC and Energy Sector Governance

- Reduction in Board Membership from 10 to 7
- Development of a Board of Director's governance manual
- The updating of MEC's Articles of Incorporation and Bylaws

# CRP Completed Objectives

GOAL 2: Improve Organizational Policies, Performance and Capacity

- Development of MEC's Personnel Policies & Procedures Manual
- Development and implementation of a new Procurement Policy
- Development and implementation of new Departmental Reporting Templates for monthly reporting to Management
- Development and implementation of a new Transport Policy
- Development and adoption of Staff Capacity Development Plan
- Implementation of a Performance-based Management System

# CRP Completed Objectives

GOAL 3: Strengthen and Stabilize Company Finances

- Restructuring of the commercial debt with the Bank of Guam
- Establishment of a debt-servicing Sinking Fund
- Development & adoption of Full-Cost Recovery Tariff template
- Strengthening collections on outstanding accounts receivables
- Adoption of aggressive measures to recapture the fuel business
- Strengthening of procurement procedures
- Carryout a staff job review to eliminate duplication of duties
- Reduction in non-essential expenditure
- Rehabilitation of Majuro Power Plant
- Renegotiate terms of Rural Utilities Services loan

# CRP Objectives in Progress

GOAL 3: Strengthen & Stabilize Company Finances (continued)

- Implementation of recommendations stemming from the Power Plant and Distribution Network loss survey
- Reduction in generation costs using alternative fuels
- Full implementation of the Prepay Meter program
- Completion of Majuro and Ebeye Street lighting loss reduction
- Actively assist in implementing a Regional Bulk Fuel procurement plan
- Develop a new Asset Management plan

# Objectives to be Actioned 2011-12

- Develop fuel handling Inspection & Certification rules
- Produce annual MEC Company Reports
- Elimination of cross-subsidization between Utilities
- The implementation of Community Service Obligation Contracts
- To carryout an integrity assessment of the Fuel Farm, and rehabilitate if necessary

# Assistance Needed

- TA needed to strengthen organizational performance, policies and capacity
- Grants for several key areas
- Financing assistance to invest in our distribution system
- Financing assistance to invest in our fuel tank farm facilities