

STANDING COMMITTEE REPORT NO. 17-111

RE: C.R. NO. 17-62/R&D

SUBJECT: ADOPTING THE NATIONAL ENERGY POLICY OF THE
FSM

MARCH 29, 2012

The Honorable Isaac V. Figir
Speaker, Seventeenth Congress
Federated States of Micronesia
Third Special Session, 2012

Dear Mr. Speaker:

Your Committee on Resource and Development, to which was referred C.R.
No. 17-62, entitled:

"A RESOLUTION ADOPTING THE NATIONAL ENERGY POLICY
FOR THE FEDERATED STATES OF MICRONESIA.",

begs leave to report as follows:

The intent and purpose of the resolution are expressed in its title.

Congressional Resolution No. 17-62 was transmitted to Congress through
Presidential Communication No. 17-106 on September 27, 2011. Attached
with C.R. No. 17-62 was a voluminous booklet, which contained two
volumes. Volume I summarizes the National Energy Policy and Volume II
contains states action plans that are to be implemented and guided by
the National Energy Policy.

The Division of Energy under the FSM Department of Resources and
Development will act as a center to implement the National Energy
Policy. The National Energy Policy contains several strategic goals:

- improve coordination and program management;
- provide a safe, reliable and affordable supply of
conventional energy;
- increase share of renewable energy (more than 30% in 2020);

STANDING COMMITTEE REPORT NO. 17-111

RE: C.R. NO. 17-62/R&D

SUBJECT: ADOPTING THE NATIONAL ENERGY POLICY OF THE
FSM

MARCH 29, 2012

- and
- conserve energy consumption and improve energy efficiency (50% efficiency improvement in 2020).

The National Energy Policy identifies four primary components. These are; Policy and Planning, Renewable Energy, Energy Efficiency and Planning, and Conventional Energy (fossil fuel). The four components were identified as the key driving forces to achieve the strategic goals identified in the National Energy Policy.

Policy and Planning

In this component, an institutional structure is being proposed. The institutional structure is a framework that links the various stakeholders in the energy sector at the National and State level, utilities, the private sector and non-government organizations and the various stakeholders who are responsible to accomplish the goals and objectives identified in the National Energy Policy. The diagram in attachment 'A' attached as part of this report reflects the institutional framework.

At the National level, a National Energy Workgroup (NEW) was established. Members consisted of representatives from the Department of Resources and Development, in particular the Division of Energy, Office of Emergency and Environment Management (OEEM), the Office of Statistics, Budget and Economic Management, Overseas Development Assistance, and Compact Management (SBOC), in particular the Division of Overseas Development Assistance, the Department of Transportation, Communication and Infrastructure, a State representative from each State Energy Workgroup, a representative from the Association of Micronesian Utilities (AMU), a representative from the College of Micronesia (COM-FSM) and the Government Energy Advisor(s).

The main task of the NEW is to oversee and coordinate activities in the energy sector in relation to the implementation of the National Energy Policy and to interact closely with the National Government and the Regional Energy Committee (REC), a subcommittee under the Micronesian Chief Executives Council (MCES) and the Association of Micronesian Utilities (AMU).

At the state level, States Energy Workgroups (SEW's) were established.

STANDING COMMITTEE REPORT NO. 17-111

RE: C.R. NO. 17-62/R&D

SUBJECT: ADOPTING THE NATIONAL ENERGY POLICY OF THE
FSM

MARCH 29, 2012

SEW's consisted of three or four members; one from the State government, one representative from the utility company, the State Energy Officer or an energy expert and a private sector or NGO representative. The SEW's are responsible for the development and updating of the states' action plans.

Essentially, the NEW and the SEW's work closely together to accomplish the specific goals identified in the states action plans and the various implementation objectives identified under the various components of the National Energy Policy.

Renewable Energy

This component aims to obtain energy sources that are essentially inexhaustible, unlike fossil fuels, of which there is a finite supply. The NEW and the SEW's were tasked to increase the share of renewable energy in the Nation's overall energy supply by 2020 and enable 30 percent of the energy supply for this nation to come from renewable energy. The implementation objectives identified under this component include:

- Promote the increased use of renewable energy technologies and strive to meet national and state-level renewable energy targets;
- Promote the effective management of both grid-connected and stand-alone renewable-based power systems;
- Promote partnerships between the private sector (including local communities and NGOs) and public sector, and mobilize external financing to develop renewable energy initiatives;
- Promote equitable availability of renewable energy in remote islands, rural areas on the main islands, and in the state centers, with social-economic development in mind;
- Encourage implementation and markets for environmentally clean technologies and alternative fuels for transportation by using non-fossil fuels and other power sources in both new and existing vehicles; and
- Establish opportunities for better access to renewable energy technologies through the provision of incentives and the removal of barriers and constraints to sustainable energy sector development.

STANDING COMMITTEE REPORT NO. 17-111

RE: C.R. NO. 17-62/R&D

SUBJECT: ADOPTING THE NATIONAL ENERGY POLICY OF THE
FSM

MARCH 29, 2012

Your Committee inquired whether there is funding to source the goals identified under this component. The representative of the FSM Department of Resources and Development commented that there are donor countries that have pledged to assist in the development of energy programs in the FSM.

Energy Efficiency & Conservation

This component focuses on the improvement of energy conservation and efficiency in all sectors of the economy and society with a targeted goal; to enhance the supply side energy efficiency by twenty percent by 2015 and increase the overall energy efficiency by fifty percent by 2020. The implementation objectives identified under this component include:

- Improve the efficiency of energy production, transmission, and distribution through supply side management;
- Introduce demand side management programs for enhancing energy efficiency and conservation so as to reduce the energy consumption in government facilities, residential and commercial buildings, industry, agriculture and forestry;
- Introduce and adopt building energy codes;
- Promote appropriate incentives (including taxes, subsidies and tariffs) to encourage efficient energy use and minimization of waste; and
- Encourage co-operation in energy efficiency and conservation programs amongst the private sector, consumers and governments, by increasing public awareness and improving access to information.

Your Committee was informed that EDF 10 is one of the sources of funding to be used for the implementation of this renewable energy. In fact, several renewable energy projects have already been established in some of the outer islands in FSM.

Conventional Energy

Under this component, the concentration is only on fossil-based energy, such as diesel, petroleum, kerosene and natural gas. The NEW and the SEW's are responsible to achieve a safe, reliable, and affordable supply of conventional energy by regionalize bulk purchase, centralize storage and coordination to secure and obtain efficiency by

STANDING COMMITTEE REPORT NO. 17-111

RE: C.R. NO. 17-62/R&D

SUBJECT: ADOPTING THE NATIONAL ENERGY POLICY OF THE
FSM

MARCH 29, 2012

2015. The implementation objectives under this component include:

- Improve the competitiveness of petroleum supply and support a national approach to negotiations with suppliers;
- Promote the collection, transportation, and environmentally responsible re-use, disposal, or removal of waste oil and other petroleum by-products to minimize adverse impacts on soil, ground water, and near shore fisheries;
- Encourage suppliers to maintain the quality of petroleum products and promote the use of appropriate technologies to reduce the emissions of green house gas and other pollutants from conventional energy at the supply and demand side;
- Phase out government subsidies on the purchase of fossil fuel for energy production;
- Work closely together with other Pacific Island Countries to collect and disseminate information on fuel demand, regional fuel prices, and related issues; and
- Work with the other North Pacific Island States toward regional fuel purchasing, thereby enhancing economies of scale and reduced costs to governments and consumers.

Public Hearings

State hearings were held on C.R. No. 17-62 in the State of Yap on October 25, 2011, in Chuuk on October 27, 2011, in Kosrae on October 31, 2011, in Pohnpei on February 8, 2012 and with the National Government on March 21, 2012. Participants at all of these hearings, including representatives of the executives and legislatures of the State and National Governments and the private sectors, voiced general support for the resolution.

In Yap some of the witnesses appreciated the effort of the National Energy working group (NEW), which was evidenced in the current outright purchase of the MOMI and in the conclusion of the proposed National Energy Policy. The Governor of Yap State urged Congress to adopt the Energy Policy so our donor partners can review what we have, especially in the context of energy and donated funding to the Nation. He agreed that the adoption of the National Energy Policy augmented by the states' action plans is a way forward.

STANDING COMMITTEE REPORT NO. 17-111

RE: C.R. NO. 17-62/R&D

SUBJECT: ADOPTING THE NATIONAL ENERGY POLICY OF THE
FSM

MARCH 29, 2012

One state representative of the Yap State Energy working group fully endorsed the National Energy Policy because the State of Yap, as well as the other three states, is currently trying to fulfill the action plans under the Energy Policy within the targeted time period.

Another member of the Yap SEW explained that the idea is to have a National Energy Policy in which the efforts from the States are in line with the Policy. With or without the National Energy Policy, each State is still trying to fulfill its own action plan. He expressed the same comments as the Governor, that the National Government may receive more funding from donor countries if there is an Energy Policy for the Nation.

Representatives in Yap from the private sector expressed their wishes to be involved in the implementation of the state action plans and urged that sufficient funding should be identified or set aside for the maintenance of renewable energy projects in the State. Mr. Hubert Yamada, Assistant Secretary of the Division of Energy at the National Government stated that in Volume II of the National Energy Policy, each goal under the states action plans correspond with action costs. Therefore, the States will be receiving funding to fund their action plans identified in the National Energy Policy.

In Chuuk, some witnesses expressed their support for Congress to adopt the National Energy Policy. Mr. Mark Waite from the Chuuk Public Utility Corporation (CPUC) indicated that he is a member of the Chuuk State Energy Working group (NEW) and he supported the adoption of the National Energy Policy. Some witnesses commented that the need to have a National Energy Policy at the National Government level will surely assist the States in the request for foreign assistance from donor countries.

Some witnesses in Chuuk expressed their concerns whether dependency of import fuel can be replaced using coal to limit the emission of toxic substance that deplete the ozone layer. Mr. Yamada explained that the subject matter is being considered. Mark Waite from CPUC explained that it is possible but the cost relating to it is a major concern. There was a discussion on the cost of power to consumers and Mr. Yamada explained that part of the National Energy Policy is to address the cost of power to consumers keeping in mind what has been affecting

STANDING COMMITTEE REPORT NO. 17-111

RE: C.R. NO. 17-62/R&D

SUBJECT: ADOPTING THE NATIONAL ENERGY POLICY OF THE
FSM

MARCH 29, 2012

the FSM in terms of importation of fuel, perhaps provided at a much lower price to the consumers. Larry Bruton from Bruton's Enterprises commented that the NEW and the SEW's must consider home packages on solar systems rather than community packages. Your Committee took positive note on this comment. The Lt. Governor explained that the adoption of the National Energy Policy is overdue and the people of Chuuk support its adoption because there is significant advantage for the people of Chuuk, especially with affordable energy.

President Mailo inquired what would be the relation of what has been put together in this policy as compared to what is in the Energy Sector in the Strategic Development Plan. Mr. Yamada explained that the objectives of the National Energy Policy compliment the Energy Sector in the Strategic Development Plan (SDP). President Mailo also inquired whether the National Energy Policy is subject to the approval of the State since the respective states adopt energy policy under the SDP. President Mailo recommended that the Energy Policy should be simple and to accommodate the states' action plans. On the goal to achieve 30% of renewable energy in 2020, President Mailo inquired whether this is a realistic target. He further inquired whether the funds under the Amended Compact could be used to source the renewable energy projects in each state. Your Committee informed the witnesses that all of their concerns are basically the underlining reasons why the proposed National Energy Policy is being considered.

In Kosrae, some witnesses inquired whether the State Governments have already done their part or if the States need to develop more action plans. Mr. Yamada indicated that in the National Energy Policy there were action plans that were considered and then submitted by the relevant SEW. However, such action plans can be further reviewed. One of the Senators inquired what would be the effect, if any, of the National Energy Policy to the current supply of fuel by FSM Petroleum Corporation. Your Committee informed the witnesses that the basis for this National Energy Policy is to assist the National and State Governments to access foreign assistant funding and to lessen the use of fossil fuel. In essence, the National Energy Policy, to some extent, may assist the current customers in their reliance on fossil fuel when the goals and objectives are timely achieved and will also compliment the effort of the FSM Petroleum Corporation an its limited supply of fossil fuel. The Governor stated that the National

STANDING COMMITTEE REPORT NO. 17-111

RE: C.R. NO. 17-62/R&D

SUBJECT: ADOPTING THE NATIONAL ENERGY POLICY OF THE
FSM

MARCH 29, 2012

Government must facilitate the State Governments and not to implement energy programs. Your Committee noted the concern raised by some of the witnesses in Kosrae.

In Pohnpei some witnesses expressed their support on the adoption of the resolution. Senator Aurelio Joab, Chairman of the Committee on Resources and Development of the Pohnpei State Legislature, inquired whether the plans under the National Energy Policy will be implemented by the States and whether the States are directly receiving funding to implement each states action plan. Secretary Marion Henry indicated that funding from the EDF 10 is to fund renewable energy. Assistant Secretary Hubert Yamada commented that "yes" the State will be receiving funding from the EDF 10. He further illustrated that one of the priority projects identified by Pohnpei is the Nanpil hydro-electric power project. The NEW and SEW's are working together to secure funding for each state's action plans.

Your Committee conducted another hearing on the resolution with the representatives of the FSM Department of Resources and Development during the Third Special Session of Congress. Witnesses included Secretary Marion Henry, Assistant Secretary Hubert Yamada, Emmanuel Taibi, the Energy Specialist for the FSM, Assistant Attorney Steve Y. George from the FSM Department of Justice and Semeon Phillip, the President's emissary.

Your Committee inquired how much the States participated in the formulation of the policy. Mr. Yamada indicated that they were fairly involved as evidenced in the states' action plans contained in the policy. Your Committee also inquired whether the utility companies in the States were involved. It was explained that a representative from each utility company is a member of the SEW.

Furthermore, your Committee inquired how realistic are the strategic goals identified in the policy. Mr Yamada explained that the proposed institutional structure must improve coordination and program management to provide safe, reliable and an affordable supply of conventional energy, to increase the share of renewable energy more than 30% in 2020 and to conserve energy consumption and improve energy efficiency to 50% in 2020. These are the strategic goals under the policy that should be pursued. Whether they are realistic, it will

STANDING COMMITTEE REPORT NO. 17-111

RE: C.R. NO. 17-62/R&D

SUBJECT: ADOPTING THE NATIONAL ENERGY POLICY OF THE
FSM

MARCH 29, 2012

take everyone's effort to fulfill the action plans and the implementation objectives summarized in the policy.

Your Committee wishes to offer the following amendment to read as follows:

1. Page 1, line 4, delete "a" after the word "promote" and insert "an" in lieu thereof.
2. Page 1, line 19, delete "Second Regular Session, 2011" and inset "Third Regular Session, 2012" in lieu thereof.
3. Page 2, lines 5 through 8, delete "Vice President of the Federated States of Micronesia, all State Governors, the Presiding Officers of the State Legislatures, the Secretary of the Department of Resources and Development, and the Secretary of the Department of Justice" and insert "Governor of each State of the Nation and the Presiding Officers of each of the State Legislatures" in lieu thereof.

Recommendations of your committee

Your Committee on Resources and Development is in accord with the intent and purpose of C.R. No. 17-62 and recommends its adoption in the form attached hereto as C.R. No. 17-62, C.D.1.

STANDING COMMITTEE REPORT NO. 17-111

RE: C.R. NO. 17-62/R&D

SUBJECT: ADOPTING THE NATIONAL ENERGY POLICY OF THE
FSM

MARCH 29, 2012

Respectfully submitted,

/s/ Roger S. Mori
Roger S. Mori, chairman

/s/ Yosiwo P. George
Yosiwo P. George, vice chairman

/s/ Peter M. Christian
Peter M. Christian, member

/s/ Florencio S. Harper
Florencio Singkoro Harper, member

/s/ Bonsiano F. Nethon
Bonsiano F. Nethon, member

/s/ David W. Panuelo
David W. Panuelo, member

/s/ Joseph J. Urusemal
Joseph J. Urusemal, member