



Palau: Disaster Resilient Clean Energy Financing Facility

Project Name	Disaster Resilient Clean Energy Financing Facility				
Project Number	54011-001				
Country	Palau				
Project Status	Proposed				
Project Type / Modality of Assistance	Technical Assistance				
Source of Funding / Amount	<table border="1"> <tr> <td>TA: Disaster Resilient Clean Energy Financing Facility</td> <td></td> </tr> <tr> <td>Technical Assistance Special Fund</td> <td>US\$ 400,000.00</td> </tr> </table>	TA: Disaster Resilient Clean Energy Financing Facility		Technical Assistance Special Fund	US\$ 400,000.00
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Technical Assistance Special Fund	US\$ 400,000.00				
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth				
Drivers of Change	Governance and capacity development Knowledge solutions Partnerships Private sector development				
Sector / Subsector	Energy - Energy efficiency and conservation				
Gender Equity and Mainstreaming	Effective gender mainstreaming				
Description	<p>The Asian Development Bank (ADB) seeks to provide a financial intermediation grant to the Republic of Palau to create the access of low income and female borrowers to affordable disaster resilient clean energy financing. The assistance is planned to be provided as a grant equivalent of up to \$3 million to create the Disaster Resilient Clean Energy Financing Facility (DRCEFF) by the Ministry of Finance and on-lent by the National Development Bank of Palau (NDBP). It will be ADB's first-ever financial intermediation (FI) project in Palau and Pacific Developing Member Countries (Pacific DMCs) that targets exclusively disaster resilient clean energy financing available for low income and women beneficiaries.</p>				
Project Rationale and Linkage to Country/Regional Strategy	<p>As climate change leads to increasingly severe and frequent devastation around the world, shoring up the resilience of clean energy infrastructure in Palau has become an urgent priority. Since 2012, Palau experienced several major natural disasters that caused cumulative losses estimated at \$ 51 million. The Pacific Catastrophe Risk Assessment and Financing Initiative indicates that Palau is exposed to an average annual loss of \$2.7 million from typhoons, earthquakes, and tsunamis, with probable maximum losses of \$16.8 million from a 1-in-50-year event, \$46.7 million from a 1-in-100-year event, and \$146.0 million from a 1-in-250-years event. Given its centralized electricity network and concentration of power supply , Palau energy is most vulnerable infrastructure not just to hurricanes, but also to other weather events such as earthquakes, storms and rising sea levels.</p> <p>The Palau government has taken some important steps to improve the country's resilience to calamities and disaster risks. Approved in 2010, the National Disaster and Risk Management Framework (NDRMF) sets out a vision of safe, resilient and prepared communities in Palau. The key objective of the NDRMF is to harmonize planning for disaster resiliency, risk mitigation measures and recovery measures integrated into national and sectoral planning and strategy. The NDRMF draws special attention to women in livelihood recovery and to strengthening disaster risk management for local communities. In 2015, the Palau government adopted the Palau Climate Change Policy for Climate and Disaster Resilient Low Emissions Development (PCCP) with additional objective to mitigate global climate change by working toward low-carbon emission development, maximizing energy efficiency, protecting carbon sinks, and minimizing greenhouse gas emissions. The PCCP advocates a proactive approach to community-level disaster risk management, to build knowledge and understanding of the hazards and risks to which communities may be exposed. The PCCP also includes specific interventions and actions for (i) funding support to expand the National Development Bank of Palau's energy efficiency program through finance for constructing new and retrofitting existing homes; and (ii) developing, adopting and implementing a climate/disaster resilient energy efficient building code.</p> <p>Palau has no dedicated financing available for disaster resilient clean energy or disaster response, early recovery, and reconstruction. At present, the Palau government relies only on reallocation of internal revenues and contribution from general reserve fund (GFR). Estimated at \$14 million, the GFR is not intended for disaster resilient infrastructure or mitigation measures and may be tapped only after a disaster in the absence of alternative financing. Although PCCP is expected to create a \$25 million disaster contingency fund to respond in times of emergency and an \$11 million National Disaster Recovery Fund and Insurance Program, neither of which is in place.</p> <p>Palau, as with many other Pacific DMCs, is highly vulnerable to international energy market and price volatility, heavily relying on imported fossil fuel for power generation contributing to over 95% of electricity demand. This creates a high expenditure on fuel imports, undermining the balance of payments position, and affects the environment and Palau's commitments to the global climate agenda. About 50% of all imported diesel is used for generation on the main islands of Babeldoab and Koror. In 2019, the PPUC spent US\$ 16 million (65% per cent of total expenditures) on diesel and lubricant. Under present tariff settings the fuel cost is not reflected at full amount undermining financial position of Palau Public Utilities Corporation (PPUC). PPUC's losses are compensated by direct government subsidies and liquidity gap is managed by deferred operational and maintenance that resulted in over 20% technical losses.</p> <p>A key government development priority is to diversify the existing energy generation mix to include more indigenous, renewable energy resources. Palau has set its priorities to increase and promote renewable energy generation under the Energy Policy (2010) and Energy Act (2016). Introduced in 2012, net metering scheme also intended to benefit households and other consumers for off-grid and on-grid roof-top PV solar generation. However, high cost of capital and limited liquidity remain key constraints for households to install renewable energy systems. The current electrification rate is 95%, but installed renewable energy is estimated to cover less than 3% of today's national electricity demand.</p>				
Impact	<p>Access to disaster resilient energy for consumers increased (Palau Energy Policy).a Safe, resilient and prepared communities for calamities and women livelihood recovery enhanced (National Disaster and Risk Management Framework). b Resilience of Palau communities to climate change and disasters enhanced (Palau Climate Change Policy for Climate and Disaster Resilient Low Emissions Development).c</p>				
Outcome	Consumers' energy expenditures reduced by use of disaster resilient clean energy sources				
Outputs	Disaster resilient clean energy financing for eligible borrowers made available Accessibility to disaster resilient clean energy loans for eligible women borrowers improved				

Geographical Location Nation-wide

Safeguard Categories

Environment	C
Involuntary Resettlement	C
Indigenous Peoples	C

Summary of Environmental and Social Aspects

Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design

During Project Implementation

Responsible ADB Officer	Abbasov, Rafayil
Responsible ADB Department	Pacific Department
Responsible ADB Division	PAEN
Executing Agencies	Ministry of Finance 3rd Floor, Executive Bldg, ROP Capitol Ngerulmud, Melekeok State, P.O. Box 6011 Koror, PW 96940, Republic of Palau

Timetable

Concept Clearance	27 Apr 2020
Fact Finding	15 Jun 2020 to 19 Jun 2020
MRM	-
Approval	-
Last Review Mission	-
Last PDS Update	27 Apr 2020

Project Page	https://www.adb.org/projects/54011-001/main
Request for Information	http://www.adb.org/forms/request-information-form?subject=54011-001
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