

NIUE NATIONAL ENERGY POLICY

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~ Participating Pacific Islands Countries ~

*Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, **Niue**, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu*

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NIUE

NATIONAL ENERGY POLICY

**THE ENERGY COMMITTEE OF THE NIUE GOVERNMENT WITH THE
ASSISTANCE OF**

**The Pacific Island Energy Policy and Strategic Action Planning Project
PIEPSAP
November 2005**

FOREWORD

As embodied by the *Niue Strategic Development Plan* (2003-2008), the people and the Government of Niue are mindful of the need to put in place the policies and the programmes necessary to meet the requirements of the nation and our aspirations for future growth. The decision to update Niue's energy policy stems from the need to take into account the political, economic and social changes that have taken place in the last 10 years in Niue. Concerns for the environment and the more efficient use of energy have evolved further, together with security of supply and concepts of sustainable development that have come into increasing prominence. Global market issues, in particular the dramatic increase in oil prices experienced in 2005 create new opportunities as well as challenges for supporting energy projects that develop indigenous resources and diversify supply.

In this spirit of planning for a sustainable and prosperous future, the Energy Committee respectfully submits to Cabinet the *Niue National Energy Policy (NEP)* and the *National Energy Action Plan (NEAP)*. The National Energy Policy provides a guideline for decision makers to select ways to meet the energy needs of the country. The NEP takes a broad approach, but provides specific policy statements on what the Government intends for the energy sector as a whole. It does not attempt to deal with strategies for implementation. These strategies are presented as separate document, the National Energy Action Plan that is based on the NEP. The NEP will be reviewed every five years while the NEAP will be reviewed and updated within the framework of the regular budgeting every year.

The Niue National Energy Policy and the Niue National Energy Action Plan were formulated through the close collaboration of the Niue Energy Committee with a large number of national stakeholders from both the public and the private sectors. Broad national consultations were held in November 2005 with assistance from the Manager of the Pacific Island Energy Policy and Strategic Action Planning Project Gerhard Zieroth. The Government is grateful for the contributions of all stakeholders in formulating the documents through to their final stage.

Hon.
Minister of Finance and Public Works
Government of Niue
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OVERVIEW

What is Niue's National Energy Policy?

Niue's National Energy Policy represents the Government's vision for the development of its national energy sector over the next 10-15 years. It sets down briefly and precisely on paper the Government's policies or goals for the planning and management of each of the sub-sectors that make up Niue's energy sector. Importantly, it provides a predictable and explicit framework within which public and private energy sector participants can make informed planning and investment decisions and manage their operations for the long term.

The Energy Policy Statement will remain applicable for an extended period of time. The reason for this is that a policy such as "To minimize Niue's dependence on petroleum products by actively encouraging fuel conservation and efficient end-use" will remain crucial for the Niue economy for many years to come. In this respect, the Statement is largely timeless, and will only require revising if the Government's vision for the national energy sector were to change.

Key principles determining the policies are:

- ❑ Economic efficiency (higher value of net output per unit of input);
- ❑ Energy efficiency (higher value of net output per unit of energy input);
- ❑ Energy conservation (reduced absolute amount of energy used); and
- ❑ Environmental protection (minimizing energy related environmental costs and impacts).

At times, these principles may not be simultaneously achievable, and policy makers may need to determine the relative priority of the principles over the long term and the potential trade-offs between them.

The Energy Policy Statement does not attempt to specify the tasks or the time frame necessary to achieve its policies; an Energy Policy Statement is a statement of the Government's long term vision for its energy sector. However, as an essential part of this policy formulation process, Government has also formulated policy guidelines that provide the blueprint for its energy officials in their development of energy sector work programmes and budgets.

Such energy sector work programmes and budgets must be integrated in the regular budgeting process of the Government once the NEP Statement has been adopted. With an adopted NEP in place the task of planning and agreeing on effective and co-ordinated national energy sector work programmes and budgets is much easier.

Why have an Energy Policy Statement?

A secure, reliable and cost-effective supply of energy is essential to economic growth and development. But energy comes at a cost, most immediately in terms of its direct price to the consumer and its impact on the environment. The energy sector also requires scarce development capital. In most Pacific island countries, the energy market does not always

operate to minimize these costs. Hence, Governments have a clear role to put in place and manage a comprehensive and internally consistent policy and regulatory framework within which their energy sector will operate.

This does not imply that the Government should directly control or participate in all energy sector activities. In most cases, these have been seen to be more efficiently and cost effectively performed by the private sector. The role of Government, then, is primarily to set the regulations and standards and to ensure that they are adhered to, to provide information and advice, and to influence/change market signals where necessary.

Implementing Energy Policy

The general approach to policy implementation places emphasis on transparency, inclusiveness of political and operational levels and accountability. Implementing the NEP will therefore attempt to achieve the following:

- ❑ To make government's activities in the energy sector more transparent;
- ❑ To build public confidence in the policy and the policy implementation process;
- ❑ To clarify accountability and organisational roles;
- ❑ To communicate policy in a manner which is clear and understandable for all; and
- ❑ To integrate various government policy processes.

Energy Policy implementation must be carefully co-ordinated with other social sectors and also be co-ordinated between energy sub-sectors. If a policy framework for energy sector development is to be effective, it must reflect of the perspectives of government, consumers, utilities, investors and other stakeholders, and be designed to overcome their concerns and meet expectations. Policy implementation will be based on the NEAP and on annual work programmes.

Energy work programmes and budgets clearly state:

- ❑ The tasks to be undertaken to achieve specific policies;
- ❑ The priority and time frame in which they are to be implemented;
- ❑ The resources required for each task; and
- ❑ The agency responsible for undertaking the tasks.

Work programmes need to be frequently updated in the framework of Governments regular annual budgeting process as specific tasks are completed and priorities change.

Governments have a range of instruments to achieve an energy policy. They include:

- ❑ Physical and technical planning
- ❑ Regulations and regulatory controls;
- ❑ Technical standards;
- ❑ Direct investment or investment inducing policies;
- ❑ Education awareness and promotion; and
- ❑ Financial instruments such as pricing, taxes, duties and subsidies. .

However, past experience suggests that policies will not be achieved if Government does not commit itself at the outset to providing the necessary resources and institutional support, and to identifying and removing impediments to their success.

NIUE NATIONAL ENERGY POLICY (NEP)

Through the implementation of cost-effective, **equitable** and **sustainable** energy policies, the Niue Government seeks to increase the welfare of the people of Niue and the economic growth of the nation in an equitable and sustainable manner.

1. Energy Sector Planning, Co-ordination, and Management

Planning

- ❑ To ensure energy sector policy and planning addresses the availability and efficient use of affordable, and appropriate sources of energy, taking into account a balance of social, cultural, technological, institutional, environmental, economic, and global market issues.
- ❑ To promote sustainable energy options for electricity generation, transportation, water supply, health care, education, telecommunication, tourism, food supply, and income generation.
- ❑ To Promote the development of appropriate regulatory guidelines to meet the needs of consumers resulting from sector reforms.
- ❑ To Promote policy mechanisms for efficient use of energy in all sectors of the economy.
- ❑ To Promote the involvement of all stakeholders, including non-government organizations, local communities especially youth and women in policy development and integrated planning.
- ❑ To Promote development of national energy policies and strategic action plans that address the reduction of fossil fuel imports and greenhouse gas emissions and strive to meet regional renewable energy targets.

Coordination

- ❑ To efficiently co-ordinate Niue energy sector activities of organizations, associations, the private sector, non-state actors and development partners.
- ❑ To mobilise development assistance and financing from international and multilateral development partners and the private sector, for the implementation of national and regional energy strategies.

Management

- ❑ To ensure that processes are transparent, reflect effective management and good governance with due regard to best practice and commercial requirements.
- ❑ To provide appropriate energy-related training opportunities within Niue at all educational and professional levels.
- ❑ To promote an inter-disciplinary approach to energy training and capacity building programmes that merges the physical sciences (physics, engineering, mathematics) and the social sciences (economics, management)
- ❑ To accelerate human resources development in the power utilities in the areas of production, transmission and distribution.

- ❑ To accelerate research and development of energy technologies that are appropriate for adoption within Niue.
- ❑ To Increase training and public awareness on alternative and renewable fuels and vehicles, energy efficiency, and conservation through publicity campaigns and school curricula.
- ❑ To develop community capacity for project planning and management of conventional and renewable energy projects.
- ❑ To promote, develop and strengthen an enabling environment within the energy sector for all stakeholders, including non-government organizations, local communities especially youth and women, through gender mainstreaming and public awareness on energy-related gender issues.

2. The Petroleum Sector

- ❑ To establish and maintain an efficient, semi-autonomous and commercially orientated petroleum corporation, the Niue Bulk Fuel Corporation, that is able to provide ongoing, cost-effective and reliable petroleum supply for Niue.
- ❑ To ensure that petroleum storage and handling facilities are located to satisfy Government, consumer and supplier requirements in the most optimal and safe manner and to ensure that the facilities have sufficient holding capacity to satisfy ongoing consumer demand under normal re-supply schedules.
- ❑ To secure a reliable supply of petroleum products at minimum landed cost and conforming to agreed product quality compliance, standards and specifications.
- ❑ To minimise dependence on petroleum products by actively encouraging fuel conservation and efficient end-use, and by utilising more environmentally friendly cost-effective alternatives.
- ❑ To ensure the safe handling and storage of petroleum products, and to minimise the environmental and health impacts of petroleum handling, storage and waste disposal.
- ❑ To regularly review retail pricing of fuel to reflect landed supply cost price fluctuation.

3. The Transport Sector

- ❑ To maximise fuel conservation and efficiency in the transport sector.
- ❑ To minimise the detrimental impact of petroleum product consumption in the transport sector on the land, air and marine environment.

4. The Electricity Sector

- ❑ To establish and maintain an efficient, semi-autonomous and commercially orientated power corporation, the Niue Power Corporation (NPC), that is able to provide an ongoing, cost-effective, affordable, use-friendly and reliable electricity supply to meet the developing demand for electricity in its areas of service.

- ❑ To ensure that NPC power system expansions are economically and socially justifiable, and are based on a least cost development strategy (overall life cycle cost) that, amongst other options, incorporates demand side management to reduce peak loads and conserve power.
- ❑ To achieve full cost recovery from consumers, Government and private, for the provision of electricity and related services. Where subsidies for electricity consumption are considered appropriate by the NPC Board, such subsidies will be identified in the Government budget.
- ❑ To carry out quarterly reviews of tariff considering fuel prices and supply costs to the end-users.

- ❑ To minimise the detrimental impact of the power generation and distribution system on the environment and the community.

5. New and Renewable Sources of Energy

- ❑ To promote sustainable energy options for power generation including solar, wind and biomass energy resource.
- ❑ Assess and promote the natural resource potential and improve the technical capacity to meet Niue's energy needs.

6. Environmental Aspects

- ❑ To minimise the impact of energy production, distribution and consumption on the renewable and sustainable energy to the Niue environment, and to ensure that energy resources are consumed in an equitable and environmentally sustainable manner.
- ❑ To ensure and improve the close co-operation and co-ordination of all relevant stakeholders organisations in the energy sector within the framework of the Niue National Environmental Management Strategy.

7. Energy Conservation and Efficiency

- ❑ To minimise Niue's energy demand and consumption without adversely affecting Niue's economic and social well being
- ❑ To maximise the efficiency with which energy is used.