



Keynote Address by
Hon. Don Pomb Polye, CMG, BE (Civil), IEPNG (Reg.), MP
Minister for Treasury
on the occasion of the signing of the
Energy Sector Development Project Financing Agreement
between the
World Bank & the Independent State of Papua New Guinea
2.00pm - Tuesday, 28 May 2013

World Bank Country Manager for Papua New Guinea, Ms. Laura Bailey, Heads of Departments, CEO of PNG Power Ltd and other Statutory Organizations, Media representatives, invited guests, Ladies and Gentlemen.

This signing ceremony for the financing agreement of Special Drawing Rights (SDR4.8 million) equivalent to US\$7.3 million or PGK15.7ⁱ million between the World Bank and the Independent State of Papua New Guinea (the State) for the Energy Sector Development Project signifies the focus that Government and World Bank now place on developing the energy sector and ensuring electricity is accessible to everyone.

With this financing, World Bank is partnering with the National Government, and the Private Sector to finance the **Energy Sector Development Project** at a total project cost of US\$9.25 million or PGK19.8 million. This figure includes Government

counterpart funding of US\$1.05 million (K2.3 million) and the US\$900,000 (K1.2 million) grant from Global Environmental Facility.

I will execute on behalf of the State, the financing agreement of SDR4.8 million (US\$7.3 million or PGK15.7 million) with the World Bank. This project will be implemented by PNG Power Ltd and Department of Petroleum and Energy.

At this juncture, let me say, I am indeed grateful for this assistance offered by the World Bank.

This project is in line with the (i) PNG Development Strategic Plan 2010-2013 priority of improving power supply. The Government recently approved the Electricity Industry Policy (EIP), which recognizes the (i) low level of electricity access, (ii) unreliability of electricity supply and subsequent economic impacts, (iii) high costs for private sector in terms of cost of power as well as unreliability of service, and (iv) difficulties faced by PPL in raising capital for infrastructure investments. This project is also in line with Vision 2050 which sets in place, among other things, Government's desire to ensure accessibility of efficient, affordable and reliable electricity to every Papua New Guinean by 2030.

Please allow me to briefly highlight some aspects of this project:

The Energy Sector Development Project is aimed at strengthening policy development and strategic framework for renewable energy and rural electrification and to attract investors for sustainable development of new hydropower generation to supply the Port Moresby Grid. Currently there is no national grid in PNG which is partly due to the country's very rugged and mountainous terrain, high population dispersion, low income level, capital constraints, and the development priorities of the government. Instead PNG has three separate main power grids owned and operated by PPL, which are Port

Moresby, Ramu Valley which serves Lae, Madang and the Highlands and Gazelle (Rabaul) which serves East New Britain Province.

This project has two main components:

- (i) Institutional Strengthening and Policy Development for Renewable Energy and Rural Electrification; and
- (ii) Technical Assistance for Preparation and Planning for Port Moresby Hydropower Supply.

I recently signed with the Asian Development Bank two loans for US\$66.8 million to finance the Port Moresby Grid Development project. ADB's financing will assist in hydropower upgrade and rehabilitation of Rouna 1 and Sininimu, upgrade the existing distribution network to add 3000 consumers and construction of a new substation in the city.

I am confident that the PNG Power Limited and Department of Petroleum and Energy have the capacity to implement this project.

In conclusion, on behalf of the people and the Government of Papua New Guinea, I take this opportunity to sincerely thank the World Bank for its continuous support in complementing the ongoing development efforts of our country.

Thank you

ⁱ The exchange rates used for this purpose for converting US\$ to PGK is PGK1=US\$ 0.4655 dated 29 April 2013.