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Vanuatu: Energy Access Project

Project Name

Energy Access Project

Project Number

49450-008

Country / Economy

- Vanuatu

Project Status

Active

Project Type / Modality of Assistance

- Grant
- Loan

Source of Funding / Amount

Grant 0543-VAN: Energy Access Project

| Source | Amount |
|------------------------|-------------------|
| Asian Development Fund | US\$ 2.50 million |

Grant 0544-VAN: Energy Access Project

| Source | Amount |
|------------------------|-------------------|
| Strategic Climate Fund | US\$ 7.00 million |

Loan 3572-VAN: Energy Access Project

| Source | Amount |
|---|-------------------|
| Concessional ordinary capital resources lending | US\$ 2.50 million |

Grant 0811-VAN: Energy Access Project (additional financing)

| Source | Amount |
|------------------------|-------------------|
| Asian Development Fund | US\$ 6.00 million |

Strategic Agendas

- Environmentally sustainable growth
- Inclusive economic growth
- Regional integration

Drivers of Change

- Gender Equity and Mainstreaming
- Knowledge solutions
- Partnerships
- Private sector development

Sector / Subsector

- **Energy** / Renewable energy generation - small hydro

Gender

Effective gender mainstreaming

Description

The project will increase energy access and renewable energy generation in the two islands of Espiritu Santo and Malekula, being second and third largest population centers after Efate. The project will assist Vanuatu install hydropower generation to replace diesel generation in Malekula and will extend the distribution grid in both Malekula and Espiritu Santo. Project preparatory technical assistance was used in project preparation.

Project Rationale and Linkage to Country/Regional Strategy

Access to electricity nationwide in Vanuatu is low (33%), however drops even further in rural areas. Low access to reliable, affordable electricity has negative impact on the livelihoods of households, particularly rural households. Where electricity is available in the provinces, it is largely diesel generated. Cost of electricity is high, however, quality of supply is high which is partially due to the electricity grids being operated by the private sector. High cost and limited access to electricity is having a negative impact on economic development, particularly in the provinces. Over-reliance on imported fossil fuels (diesel) also has a negative macro-economic impact. In order to address these issues, the Government of Vanuatu has requested ADB to support development of least-cost renewable energy (hydropower) and grid extensions in targeted provincial centers.

In order to address the above barriers, the Project will construct the Brenwe Hydropower Plant which would displace an estimated 90% of the diesel generation in Malekula. The Project will increase the residential customer base in Espiritu Santo by 25% and in Malekula by 90%. Hydropower has been assessed to be the least-cost baseload generation option for Malekula.

The project is integrated into government long term strategic planning. The project supports the government's Priority and Action Agenda (PAA) 2006-2015, which aims to (i) reduce the cost of services, (ii) extend the coverage of rural electrification, and (iii) promote the use of renewable energy. The project is aligned with the government's action document Planning Long, Acting Short, 2009-2012 which aims to (i) ensure that electricity is more widely available at a fair price, and (ii) encourage investment in renewable electricity. The project is included in the Vanuatu National Energy Road Map (NERM) 2014.

Impact

Livelihoods of households in Espiritu Santo and Malekula improved

Project Outcome

Description of Outcome

Supply of clean renewable electricity to households in Espiritu Santo and Malekula increased

Progress Toward Outcome

After the commissioning of the Brenwe Hydropower Plant and transmission lines in

Malekula, scheduled for Q3/2023, clean and renewable electricity will be supplied to households in Malekula.

Implementation Progress

Description of Project Outputs

Brenwe Hydropower Plant put into operation by the government

Distribution grid extended and additional households connected by the government

Capacity building for project beneficiaries undertaken

Status of Implementation Progress (Outputs, Activities, and Issues)

The contract for the Brenwe Hydropower Plant was awarded on 13 November 2019 and was signed on 21 January 2020. Due to COVID-19 travel restrictions, the Contractor could only mobilize on 24 March 2021. The completion of the hydropower plant and transmission lines in Malekula is scheduled for Q3/2023, and the completion of the transmission lines in Espiritu Santo is scheduled for Q4/2023.

Geographical Location

Nation-wide, Brennwe

Safeguard Categories

Environment

B

Involuntary Resettlement

B

Indigenous Peoples

C

Summary of Environmental and Social Aspects

Environmental Aspects

An initial environmental examination was prepared. The main potential environmental impacts are related to the construction of the access road, the removal of vegetation within a modified habitat, the plant installation at the intake and powerhouse sites, and vegetation trimming along the transmission line corridor. Environmental management plans have been updated based on the detailed designs.

Involuntary Resettlement

The project had land acquisition impacts for the Brenwe Hydropower Plant are not deemed significant. The transmission line extension at Espiritu Santo follows the existing road corridor without any resettlement impacts. No physical relocation or loss of major income sources is expected from the implementation of the project.

Indigenous Peoples

Melanesian Ni-Vanuatu groups constitute the majority population in the project area, their institutions are not separate from mainstream society, and these groups are not vulnerable because of their ethnicity.

Stakeholder Communication, Participation, and Consultation

During Project Design

The stakeholders are the Vanuatu government (MFEM, MOCC, MLNR, VPMU, MIPU, PWD, Provincial Councils, affected land owners, and other relevant agencies) and development partners.

During Project Implementation

The stakeholders are the Vanuatu government (MFEM, MOCC, MLNR, VPMU, MIPU, PWD, Provincial Councils, affected land owners, and other relevant agencies), and development partners.

Contact

Responsible ADB Officer

Elbling, Elmar

Responsible ADB Department

Sectors Group

Responsible ADB Division

Energy Sector Office (SG-ENE)

Executing Agencies

Ministry of Finance & Economic Management

Timetable

Concept Clearance

18 Dec 2012

Fact Finding

27 Jan 2015 to 30 Jan 2015

MRM

05 Mar 2015

Approval

26 Sep 2017

Last Review Mission

-

Last PDS Update

26 Apr 2023

Funding

Grant 0543-VAN

Milestones

| Approval | Signing Date | Effectivity Date | Closing | | |
|-------------|--------------|------------------|-------------|---------|-------------|
| | | | Original | Revised | Actual |
| 26 Sep 2017 | 11 Oct 2017 | 18 Dec 2017 | 31 Mar 2024 | - | 06 Apr 2022 |

Financing Plan

Total (Amount in US\$ million)

Project Cost 2.50
 ADB 2.50
 Counterpart 0.00
 Cofinancing 0.00

Grant Utilization

| | Date | ADB | Others | Net Percentage |
|----------------------------|-------------|------|--------|----------------|
| Cumulative Contract Awards | 07 Jun 2024 | 2.50 | 0.00 | 100% |
| Cumulative Disbursements | 07 Jun 2024 | 2.50 | 0.00 | 100% |

Status of Covenants

| Category | Sector | Safeguards | Social | Financial | Economic | Others |
|---------------|--------|--------------|--------------|--------------|----------|---------------------|
| Rating | - | Satisfactory | Satisfactory | Satisfactory | - | Partly satisfactory |

Grant 0544-VAN

Milestones

| Approval | Signing Date | Effectivity Date | Closing | | |
|-------------|--------------|------------------|-------------|-------------|--------|
| | | | Original | Revised | Actual |
| 26 Sep 2017 | 11 Oct 2017 | 18 Dec 2017 | 31 Mar 2024 | 31 Mar 2026 | - |

Financing Plan

Total (Amount in US\$ million)

Project Cost 7.00
 ADB 0.00
 Counterpart 0.00
 Cofinancing 7.00

Grant Utilization

| | Date | ADB | Others | Net Percentage |
|----------------------------|-------------|------|--------|----------------|
| Cumulative Contract Awards | 07 Jun 2024 | 0.00 | 6.69 | 96% |
| Cumulative Disbursements | 07 Jun 2024 | 0.00 | 6.61 | 94% |

Grant 0811-VAN

Milestones

| Approval | Signing Date | Effectivity Date | Closing | | |
|-------------|--------------|------------------|-------------|-------------|--------|
| | | | Original | Revised | Actual |
| 03 Dec 2021 | 07 Dec 2021 | 20 Dec 2021 | 31 Mar 2024 | 31 Mar 2026 | - |

Financing Plan

Total (Amount in US\$ million)

Project Cost 9.10
 ADB 6.00
 Counterpart 3.10

Cofinancing 0.00

Grant Utilization

| | Date | ADB | Others | Net Percentage |
|----------------------------|-------------|------------|---------------|-----------------------|
| Cumulative Contract Awards | 07 Jun 2024 | 6.00 | 0.00 | 100% |
| Cumulative Disbursements | 07 Jun 2024 | 5.43 | 0.00 | 91% |

Status of Covenants

| Category | Sector | Safeguards | Social | Financial | Economic | Others |
|-----------------|---------------|-------------------|---------------|------------------|-----------------|---------------|
| Rating | - | Satisfactory | Satisfactory | Satisfactory | - | Satisfactory |

Loan 3572-VAN

Milestones

| Approval | Signing Date | Effectivity Date | Closing Original | Revised | Actual |
|-----------------|---------------------|-------------------------|-------------------------|----------------|---------------|
| 26 Sep 2017 | 11 Oct 2017 | 18 Dec 2017 | 31 Mar 2024 | - | 18 Oct 2022 |

Financing Plan

| Total (Amount in US\$ million) | |
|---------------------------------------|------|
| Project Cost | 2.50 |
| ADB | 2.50 |
| Counterpart | 0.00 |
| Cofinancing | 0.00 |

Loan Utilization

| | Date | ADB | Others | Net Percentage |
|----------------------------|-------------|------------|---------------|-----------------------|
| Cumulative Contract Awards | 07 Jun 2024 | 2.42 | 0.00 | 100% |
| Cumulative Disbursements | 07 Jun 2024 | 2.42 | 0.00 | 100% |

Status of Covenants

| Category | Sector | Safeguards | Social | Financial | Economic | Others |
|-----------------|---------------|-------------------|---------------|------------------|-----------------|---------------|
| Rating | - | Satisfactory | Satisfactory | Satisfactory | - | Satisfactory |

Project Page <https://www.adb.org/projects/49450-008/main>

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