

ENERGY

LOWER MIDDLE INCOME *

CLIMATE-SMART

FRAGILE & CONFLICT

SOLOMON ISLANDS

Tina River Hydropower Development Project

GIF FUNDING & LEVERAGE

GIF Project Preparation and Structuring Activity:

\$1.35 million

Potential Private Investment Mobilized:

\$24 million

Solomon Islands is turning to renewable hydropower to meet its needs for power. Lower cost, reliable energy is expected to ease constraints to growth, facilitate private sector development, and improve the quality of life for thousands of Solomon Islanders. The GIF is providing funding to make the transaction possible.

EXPECTED PROJECT OUTCOMES

- ◆ Provide 70 percent of the country's energy requirements with sustainable and reliable energy
- ◆ Diversify away from the reliance on imported diesel based energy
- ◆ Improve the operational efficiency, system reliability; and financial sustainability of the SIEA
- ◆ Reduce greenhouse gas emissions by about 86,000 tons of CO₂ equivalent per year for up to 80 years by displacing diesel based power
- ◆ Mobilize private financing through a combination of equity and long-term debt

TECHNICAL PARTNERS



THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP

* Based on World Bank Group classification by income

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BACKGROUND

Solomon Islands is an island nation in the Pacific region with a population of approximately 580,000 spread across more than 90 islands. The country relies on imported diesel fuel to generate power, making electricity one of the most expensive in the world.

The country has installed power capacity of 28 megawatts that is almost entirely diesel-based. The low population density of the country, coupled with low urbanization rate, make the capital costs of connecting very high relative to revenue generation. As a result, less than 20 percent of the population has access to power; in rural areas, access is less than five percent.

Electricity cost is one of the world's highest because of its dependence on imported diesel fuel, inefficiencies in the system, and high capital costs.

The Solomon Islands Electricity Authority, the state-owned power utility, works with the support of donors on improving its performance and the delivery of its services and reducing its losses.

The Tina River Hydropower Development Project (TRHDP) aims to replace diesel-based power with hydro-power energy through a public-private partnership (PPP).

PROJECT FEATURES

The hydropower facility will be implemented on a build-own-operate-transfer (BOOT) basis by a project partner selected through a competitive bidding process managed

by the International Finance Corporation (IFC). The project consists of:

- ◆ A 20-megawatt hydropower facility to be developed and operated under a 30-year concession that sells power to the Solomon Islands Electricity Authority (SIEA) under a long-term Power Purchase Agreement
- ◆ Technical assistance to the Solomon Islands government to monitor and support project implementation and to develop a benefit sharing scheme

This will be the first utility scale Independent Power Producer in Solomon Islands and its first PPP project.

WHY GIF

The TRHDP is a multi-donor collaborative effort involving the World Bank as the lead agency, IFC as transaction advisor to bring in a private partner, and several other parties including the Pacific Region Infrastructure Facility, the Australian government, the New Zealand government, and the European Investment Bank.

The World Bank approached the GIF for funding support of \$1,100,000 for the completion of outstanding development activities and support to the government of Solomon Islands through to financial close. In April 2017, the World Bank requested an additional funding of \$250,000 to support new activities due to implementation arrangement changes, and eventually to ensure that the Project Company can be properly established.

The Global Infrastructure Facility, or GIF, is a partnership of governments, multilateral development banks and private sector financiers that facilitates private-sector investment in complex infrastructure projects in emerging economies. We serve as a platform through which governments collaborate with international financial institutions and private sector investors to design, structure and implement these complex projects.

The comprehensive project-preparation support provided by the GIF draws on the expertise of its advisory partners which includes commercial banks and institutional investors. The broad partnership ensures that well-structured and bankable infrastructure projects are brought to market in a way that meets the needs of governments and service users in a sustainable way.