



Republic of Palau
Office of the President

Tommy E. Remengesau, Jr.
President

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February 5, 2016
Serial No. 16-3344

The Honorable Sabino Anastacio
Speaker of the House of Delegates
9th Olbiil Era Kelulau
Ngerulmud, Palau National Capitol
Republic of Palau 96939

Re: Signing Statement: Senate Bill 9-124, SD2, HD1 – Palau Energy Act

Dear President Chin:

It is my pleasure today to sign into law Senate Bill No. 9-124, SD2, HD1, to be known as the Palau Energy Act. This law comprises two crucial steps towards realizing a secure and sustainable energy future for our country.

First, this law formally establishes the Energy Administration, which will be the primary entity within the executive branch concerning energy-related matters, and specifically sets out its powers and responsibilities. In addition to subsuming the duties of the Palau Energy Office, such as facilitating energy-related grants, the Energy Administration will be responsible for:

- Developing and publishing the National Energy Policy and Palau Annual Energy Report;
- Promulgating rules and regulations;
- Setting energy efficiency benchmarks for public utilities;
- Implementing commercial, community and residential energy efficiency programs;
- Introducing efficiency standards for Government and privately owned vehicles and vessels;
- Educating the public on energy-related matters;
- Coordinating maintenance contracts for solar-facilities owned by the National Government;
- Reviewing and commenting on the Palau Public Utilities Corporation (“PPUC”)’s electricity tariffs and tariff formula; and
- Reporting energy-related climate change information as required by the international and regional instruments to which Palau is a party, including specifically:
 - The Pacific Islands Framework for Action on Climate Change (“PIFACC”),



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- The Framework for Action on Energy Security in the Pacific (“FAESP”), and
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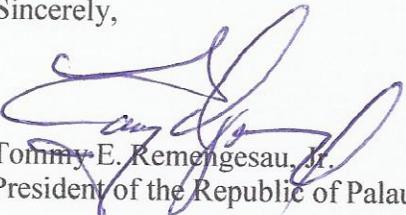
Perhaps most importantly, this law evinces a clear and resolute commitment to increasing our nation’s reliance on renewable energy sources as well as reducing localized pollution and greenhouse gas emissions. Through the Energy Monitoring, Evaluation and Reporting Framework established by this law, the Energy Administration will be able to monitor and ensure progress toward achieving the renewable energy and energy efficiency targets, energy security as measured by the FAESP indicators, tourism marine vessel efficiency standards, and National Government green fleet efficiency standards. Its annual appraisal of the energy sector as measured against these metrics, report on the current state of our energy infrastructure, and forecast of future energy needs will no doubt prove instrumental in the continued development of a dependable and sustainable energy sector capable of providing clean and affordable energy to the people of Palau.

In addition, this law provides for the creation of a standardized system through which independent power producers may establish and obtain licenses for renewable energy projects that will produce and sell power to PPUC. Making these independent ventures possible, with appropriate oversight by PPUC and the Energy Administration and with due consideration given to the technical, economic, social and environmental aspects of such projects, will surely foster the growth of the renewable energy sector in Palau.

Finally, while this bill does not explicitly address what should happen to the existing Palau Energy Office, this agency was never formally established by law and will be made redundant by the newly created Energy Administration. Accordingly, in order to affect the clear intent of this bill, namely establishing by law a single and definitive government agency with clearly defined duties and powers concerning energy-related matters, I am by executive order, signed contemporaneously herewith, dissolving the Energy Office and transferring all of its existing assets and staff to the newly formed Energy Administration.

In the wake of the 2015 Paris Climate Conference, or COP21, and the resulting agreement reached through that forum, it is with sincere pleasure that I sign into law this energy bill, which not only reaffirms Palau’s commitment to meeting the renewable energy reliance and reduced emissions pledges made at COP21, but also provides the means and direction for achieving those important goals. This law offers further testament to all of our international partners, current and future, that Palau remains committed to addressing the challenges of climate change through meaningful, conscientious and practical action.

Sincerely,



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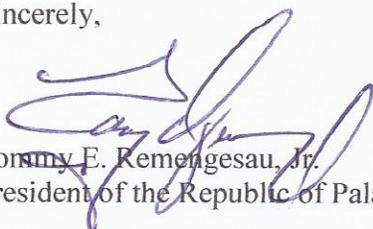
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President of the Republic of Palau

1 § 705. National Energy Policy.

2 § 706. Palau Annual Energy Report.

3 § 707. Independent Power Producers.

4 § 708. Electricity tariffs.

5 § 709. Energy efficiency.

6 § 701. Short title. This Chapter will be known and may be cited as the “Palau
7 Energy Act of 2015”.

8 § 702. Intent and purpose. The intent and purpose of this Chapter is to
9 establish a comprehensive national framework to improve energy security by
10 diversifying the supply of energy to the people of Palau, including renewable-energy,
11 and promoting progressive policy development and implementation by a more
12 robust, cost-effective, and efficient Energy Administration.

13 § 703. Definitions. In this Act:

14 (a) “Central electricity grid” means the electricity infrastructure that is
15 operated by the Palau Public Utilities Corporation for the purpose of supplying
16 electricity to customers in Koror, Babeldaob, Iouldaob, and the outer islands.

17 (b) “Energy Administration” means the key agency within the executive
18 branch of the Government of Palau with responsibility for the regulation of the
19 energy sector.

20 (c) “Energy Monitoring, Evaluation and Reporting Framework” or “EMER
21 Framework” means the framework for monitoring, evaluating and reporting on the
22 performance, progress and achievements of the Palau energy sector.

23 (d) “National Energy Policy” or “NEP” means the policies that are developed
24 and declared by the Government of Palau in relation to the energy sector. This
25 includes relevant regional or international agreements that are adopted by the
26 Government of Palau.

27 (e) “Energy sector” means the Palau energy sector, including the
28 infrastructure, stakeholders and institutions that are directly or indirectly involved in
29 the importation, storage, transformation, delivery, and usage of energy resources and
30 services.

1 (f) “FAESP” means the Framework for Action on Energy Security in the
2 Pacific: 2010–2020.

3 (g) “Government green fleet efficiency standards” means the fuel emissions
4 standards that the Energy Administration establishes for the fleets of relevant
5 government agencies.

6 (h) “Grid connection” means the process of generating electricity for the
7 purpose of exporting it to the central electricity grid.

8 (i) “Independent Power Producer” means a person or entity that enters into a
9 commercial agreement (the Power Purchase Agreement) with PPUC for the supply of
10 energy to the central electricity grid.

11 (j) “Minister” means the Minister of Public Infrastructure, Industries and
12 Commerce.

13 (k) “PIFACC” means the Pacific Islands Framework for Action on Climate
14 Change.

15 (l) “Power Purchase Agreement” means a commercial agreement between an
16 Independent Power Producer and PPUC that specifies the terms and conditions
17 under which PPUC shall compensate the Independent Power Producer for exporting
18 electricity to the central electricity grid, including the price PPUC will pay and the
19 duration of the agreement.

20 (m) “PPUC” means the Palau Public Utilities Corporation.

21 (n) “President” means the President of the Republic of Palau.

22 (o) “Renewable energy” means energy derived from renewable sources, such
23 as solar power, water power, or wind power.

24 (p) “Tourism marine vessel efficiency standards” means the fuel emissions
25 standards that the Energy Administration establishes for marine vessels used by
26 private tourism operators.

27 (q) “UNFCCC” means the United Nations Framework Convention on Climate
28 Change.

29 § 704. Energy Administration; establishment, duties and powers.

30 (a) There is established an Energy Administration which shall:

1 (1) be a separate entity within the Ministry of Public Infrastructure,
2 Industries and Commerce;

3 (2) be responsible for the proper and effective administration of this
4 Act; and

5 (3) report to the Minister on its key regulatory responsibilities.

6 (b) The general duties and powers of the Energy Administration are to:

7 (1) monitor all energy-related matters in the Republic and prepare the
8 Palau Annual Energy Report, as specified by Section 706 of this Act;

9 (2) provide advice on matters of energy sector policy and
10 implementation to the President, Minister, and any energy-related institution,
11 including but not limited to PPUC;

12 (3) facilitate energy-related grants in the energy sector;

13 (4) educate the public concerning energy-related matters, as specified
14 by Section 709 of this Act;

15 (5) coordinate maintenance contracts for solar-facilities owned by the
16 Government of Palau; and

17 (6) promulgate regulations necessary to carry out the provisions of this
18 Act.

19 (c) The Energy Administration is responsible for reporting and coordinating
20 with the relevant executive branch climate change office such energy-related climate
21 change information as is specified by applicable international and regional initiatives
22 to which the Government of Palau has made a commitment, including:

23 (1) PIFACC;

24 (2) FAESP; and

25 (3) UNFCCC.

26 (d) The Energy Administration is responsible for setting energy efficiency
27 benchmarks for public utilities such as PPUC and for monitoring and reporting on
28 their performance against such benchmarks.

29 § 705. National Energy Policy.

30 (a) The Energy Administration will develop and disseminate the NEP. The
31 objectives of the NEP are the delivery of clean, secure, and affordable energy within

1 Palau, and to respond to the risks of climate change through adaptation and
2 mitigation measures that enhance social and economic resilience and reduce
3 greenhouse gas emissions from the energy sector.

4 (b) The Energy Administration will review and update the NEP on an ongoing
5 basis through the EMER Framework. The key energy metrics of the EMER
6 Framework are:

- 7 (1) the Palau renewable energy target;
- 8 (2) the Palau energy efficiency target;
- 9 (3) FAESP energy security indicators;
- 10 (4) Tourism marine vessel efficiency standards; and
- 11 (5) the Government green fleet efficiency standards.

12 (c) The Energy Administration will make publicly available an updated
13 version of the NEP on its official website.

14 § 706. Palau Annual Energy Report.

15 (a) The Energy Administration shall support the development of the National
16 Energy Policy through the preparation of a Palau Annual Energy Report that it must
17 submit to the Minister, President, Senate, and House of Delegates by the 30th of
18 September each year. The objectives of this report are to:

- 19 (1) Report to the Minister, the President, the Senate and the House of
20 Delegates on the key energy metrics covered under the EMER Framework;
21 and
- 22 (2) Promote private sector investment in Palau's energy sector by
23 providing a range of information for Independent Power Producers.

24 (b) In reporting on the key energy metrics, the Energy Administration shall
25 assess the following in the Annual Energy Report:

- 26 (1) Technical and economic indicators relating to the existing
27 deployment of renewable energy technologies;
- 28 (2) Potential for additional renewable energy deployment, and ability to
29 meet the Palau renewable energy target;
- 30 (3) Progress towards the Palau energy efficiency target;

1 (4) The performance of the Republic of Palau under energy security
2 indicators from FAESP;

3 (5) Progress towards the Government green fleet efficiency standards;

4 (6) The efficiency of marine vessels used by operators in the tourism
5 industry; and

6 (7) Any other reporting areas specified by the Minister.

7 (c) The Annual Energy Report will include an assessment of the following:

8 (1) Existing energy infrastructure and the utilization of that
9 infrastructure;

10 (2) A forecast of the future energy needs of the Republic of Palau;

11 (3) PPUC's and any other utilities' performance under energy
12 efficiency performance benchmarks set by the Energy Administration; and

13 (4) Any other dataset or information that is considered by the Energy
14 Administration to be consistent with this objective.

15 (d) The Energy Administration shall make the Annual Energy Report
16 publicly available.

17 § 707. Independent Power Producers.

18 (a) The Energy Administration shall set standards for different categories of
19 renewable energy providers, and shall provide the information necessary for
20 Independent Power Producers to participate in a solicited or unsolicited process
21 whereby a proposal is made for the development of a renewable energy project.

22 (b) Requests for proposals for renewable energy projects may be made by the
23 Energy Administration or PPUC. Unsolicited requests for grid connection for
24 renewable energy projects must be made to both PPUC and the Energy
25 Administration.

26 (c) The Energy Administration, in consultation with PPUC, shall establish and
27 publish forms and guidelines for the submission and assessment of applications for
28 grid connection. These guidelines shall address the following criteria:

29 (1) Technical requirements;

30 (2) Economic considerations;

31 (3) Social considerations; and

1 **(4) Environmental factors.**

2 **(d) PPUC shall decide based on the established guidelines whether to accept or**
3 **reject an application for grid connection. The Energy Administration will also review**
4 **the application based on the established guidelines and provide its recommendations**
5 **regarding the application to PPUC, which must take such recommendations under**
6 **consideration when making a decision regarding the application. PPUC shall**
7 **communicate its final decision in writing to the applicant and the Energy**
8 **Administration.**

9 **(e) PPUC shall enter into a Grid Connection Agreement and Power Purchase**
10 **Agreement with successful applicants after submitting the proposed agreements to**
11 **the Energy Administration for its review and taking into consideration the Energy**
12 **Administration's comments regarding the agreements.**

13 **(f) The Energy Administration or PPUC may work with an applicant to help**
14 **the applicant satisfy the application guidelines for grid connection. The Energy**
15 **Administration, in conducting its assessment of an application, may conduct a public**
16 **consultation process.**

17 **(g) Upon entering into a Grid Connection Agreement and Power Purchase**
18 **Agreement with a successful applicant, PPUC will issue the applicant a Generation**
19 **License that contains:**

20 **(1) A complete description of the technology involved, including the**
21 **capacity, the fuel type, the expected output, and the proposed schedule; and**

22 **(2) Proof of a Power Purchase Agreement and Grid Connection**
23 **Agreement with PPUC.**

24 **§ 708. Electricity tariffs.**

25 **(a) The Energy Administration shall develop guidelines under which it will**
26 **review PPUC's electricity tariffs and tariff formula.**

27 **(b) PPUC will submit its proposed tariff schedule to the Energy**
28 **Administration for review and comments. Concerns raised by the Energy**
29 **Administration must be considered by PPUC in formulating its schedule.**

30 **§ 709. Energy efficiency.**

1 (a) The Energy Administration will develop energy efficiency programs in
2 accordance with the objectives of the National Energy Policy. In so doing, the Energy
3 Administration shall:

4 (1) Develop and deliver business, community and residential programs
5 which promote energy savings;

6 (2) Create education and public awareness programs about relevant
7 energy issues related to the National Energy Policy; and

8 (3) Report the outcomes of these programs against the EMER
9 Framework.

10 (b) In keeping with the objectives of the National Energy Policy, and in the
11 interest of improving economic productivity, reducing localized pollution and curbing
12 the emission of greenhouse gases, the Energy Administration shall:

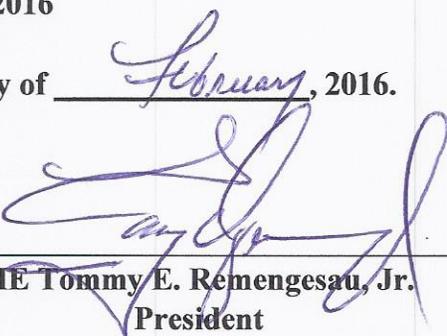
13 (1) Introduce efficiency standards for the road and marine fleets of the
14 Government of Palau; and

15 (2) Introduce efficiency standards for buses and marine vessels that are
16 used in private tourism enterprises, and for all other vehicles and vessels in the
17 Republic.”

18 Section 3. Effective date. This Act shall take effect upon its approval by the
19 President of the Republic, or upon becoming law without such approval.

PASSED: January 14, 2016

Approved this 5th day of February, 2016.



HE Tommy E. Remengesau, Jr.
President
Republic of Palau



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Executive Order No. 16-387

Dissolving the Palau Energy Office and transferring its staff and assets to the newly established Energy Administration.

WHEREAS, with the enactment of RPPL 9-54, signed contemporaneously herewith, the Energy Administration is established by law as the key agency within the executive branch of the National Government of the Republic of Palau with responsibility over energy-related matters; and

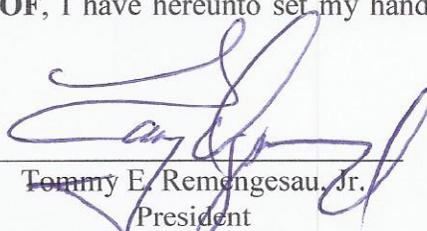
WHEREAS, this role has heretofore been served by the Palau Energy Office, an office within the executive branch that was never formally established by law and has no statutory mandates or powers; and

WHEREAS, while the Palau Energy Office has played an essential and commendable role in advising on energy-related matters, its continued existence is rendered redundant by the establishment of the Energy Administration; and

WHEREAS, the newly formed Energy Administration would benefit tremendously from the experience, expertise and assets of the Palau Energy Office;

NOW THEREFORE, by virtue of the authority vested in me as President of the Republic of Palau, pursuant to the Constitution and Title 2 of the Palau National Code, the entity known as the Palau Energy Office is hereby dissolved, with all of its existing staff and assets, including all funds appropriated by the Fiscal Year 2016 Budget Act, to comprise the newly established Energy Administration, a separate entity within the Ministry of Public Infrastructure, Industries and Commerce. All transferred staff shall maintain their existing titles, or closest appropriate analog thereto, and continue to serve in accordance with the rights, benefits and obligations of their current employment contracts.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal this 5th day of February, 2016:


Tommy E. Remengesau, Jr.
President
Republic of Palau