

Energizing FSM - Affordability and Beyond

INTRODUCTION

The Federated States of Micronesia (FSM) is hosting the National Energy Forum, a timely platform for senior stakeholders and development partners to converge and chart a practical plan to improve energy affordability and access across the nation. This summit aims to validate a new Energy Policy for 2024-2050, which will guide the short-term (2030) and long-term (2050) action plans. The summit will explore supportive reforms, such as establishing an independent energy regulator, procuring independent power producers (IPPs), and potentially adopting a national IPP bill. Additionally, the agenda includes strategies for electrifying unelectrified islands, including the creation of a donor fund with a strengthened project management unit. By aligning with the Sustainable Development Goal 7 (SDG7) and updating the Nationally Determined Contributions (NDCs), the forum will ensure that the citizens of FSM are the primary beneficiaries of these critical energy sector reforms.

BACKGROUND

FSM's key priorities for the energy sector in general and the electricity sector in particular are (i) to make electricity available across all the inhabited islands (ii) make it more affordable and (iii) improve energy security. While addressing these fundamental issues, FSM would also be contributing to global efforts to manage climate change particularly by embracing more renewable sources of energy. FSM sees an opportunity to meet these energy priorities as well as contribute, in its own small way, to the global climate agenda. The [updated NDC](#) sets a conditional mitigation target of reducing carbon dioxide emissions from electricity generation by more than 65 per cent below 2000 levels by 2030. Relative to the year 2000 inventory, electricity generation accounts for 64 ktCO₂-e meaning the conditional reduction from electricity generation should be around 41.6 ktCO₂-e. Therefore, emissions from electricity generation must be less than 22.4 ktCO₂-e. FSM's emissions from electricity generation today are estimated to have remained the same as in the year 2000 at 64ktCO₂-e or perhaps even higher.

Key approaches to reducing emissions from the energy sector include increasing renewable energy in the generation mix. FSM sets a conditional mitigation target of increasing access to electricity to 100 per cent nationwide and increasing electricity generation from renewable energy to more than 70 per cent of total generation from 13% (with a further 12% expected by 2025 from pipeline projects). The recently compiled Draft 2024-2050 National Energy Policy outlines short-term (2030) and long-term (2050) goals to address these energy priorities and climate commitments as follows:

Short term Goals by 2030:

- i) achieve 100% electrification nationwide.
- ii) achieve 70% of electricity generated from renewable resources.
- iii) achieve 100% access to clean cooking and

- iv) reduce greenhouse gas emissions from electricity generation by more than 65% below 2000 level.

Long Term Goals by 2050:

- i. Achieve 100% of electricity generated from renewable resources.
- ii. Phase down fossil fuels use in FSMs transportation sector.
- iii. Promote the use of alternative fuels (biofuel, hydrogen and others).
- iv. Net-Zero Carbon emissions by 2050.

RATIONALE

Affordability of electricity remains a major constraint

At a weighted average tariff of 52USc per unit, FSM has amongst the highest tariff in the region. Some of the islands without cross subsidies have tariffs exceeding one dollar and still cannot recover the cost of one technician. These rates pose a severe development constraint for the country which already is constrained with challenges of regulations, logistics, human capacity, and infrastructure.

Electrification has been slow and expensive

To date, FSMs estimated national electrification level is at 82%, of which 67% is supplied by the four state utilities and the remaining 15% is met privately with some form of basic electrification through small petrol gensets and standalone solar PV units that meet basic needs. The current pipeline of electrification efforts will see the state of Kosrae being fully electrified by end of 2024 and by 2026 the 7 islands of Satawan, Eot, Udot, Fefen, Etten, Piis Paneu and Pingelap. This leaves 58 islands to be electrified by 2030.

Increasing renewable energy penetration is challenging

Total renewable energy in the electricity mix currently stands at 13% nationally. This share is estimated to increase to 25% by 2025 when existing pipeline projects are commissioned. To achieve the 70% RE target in total electricity generation by 2030, FSM will need to accelerate efforts in not only looking at new RE installation but at the same time pursue increases in energy storage capabilities as well as upgrade its existing aging distribution and generation infrastructure.

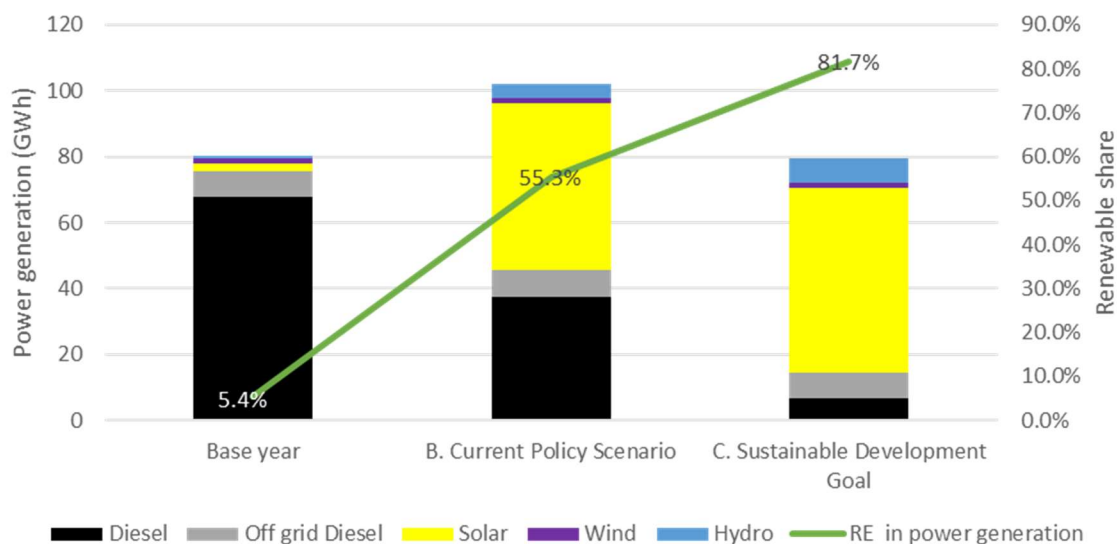


Figure 1: Power generation comparison in the base year, current policy scenario and SDG7 scenarios 2030 - SDG 7 Roadmap

Significant Public and Private funds are needed

It is estimated that at least US\$ 300 million will be required to meet the electricity affordability and access goals. The meeting will discuss resource mobilization efforts needed to be accelerated to implement the various projects through a strengthened PMU at the Energy Division.

Absorptive capacity is low

Even if the ambition and desire to move ahead with renewables and electrification programs the absorptive capacity of the National Government (with not a single officer fully dedicated to energy) and at each of the four utilities remains a challenge. The nation lacks seasoned engineers of its own and expatriate experts are expensive. A long-term human resource strategy can be initiated at the forum to relook at the existing governance mechanism of the National Energy Workgroup and the Association of Micronesian Utilities.

Urgent need to accelerate charting the way forward

To better ascertain FSM national energy priorities, The Department of Resources and Development will be hosting this energy forum to deliberate and seek directions forward to accelerate FSM's **"Just Transition"** efforts. Past meetings have been to guide implementation of projects or to address isolated agenda items. A more holistic and inclusive meeting among senior members of the National and State Government with the development partners, private sector, civil society and other stakeholders to focused on Energy is long overdue.

OBJECTIVES AND EXPECTED OUTCOMES

The National Energy Forum is a crucial platform to bring together all relevant stakeholders in the energy space. The key objectives include validating the 2024-2050 National Energy Policy and its implementation plan, strengthening the National Energy Workgroup (NEWG) as a multi-stakeholder body, and supporting resource mobilization and capacity building efforts. The forum aims to empower stakeholders to work collaboratively in advancing the country's energy goals and priorities, with a focus on the critical 2030 milestone. By aligning with the SDG7 roadmap and the country's long-term vision of a carbon-zero energy future by 2050, the forum will chart a clear path forward to accelerate FSM's "Just Transition" efforts and clean energy transition.

The rationale for the Energy Forum is well-justified, as it addresses the critical challenges facing FSM's energy sector, including affordability, access, and renewable energy integration. By bringing together national and state leaders, utility representatives, and development partners, the forum provides a strategic opportunity to validate policies, strengthen governance, and mobilize resources to enable the necessary transformations in the energy sector. The overarching goal of ensuring that citizens are the primary beneficiary of these reforms underscores the forum's commitment to inclusive and sustainable energy development in the Federated States of Micronesia.

Participants

It is expected that H.E The President or H.E The Vice President will open the Forum. State and National leaders, utility CEOs will be in attendance. In addition, representatives of development partners will attend.

Format

The Energy Forum will be held in person. Papers will be shared and discussed in advance with the relevant stakeholders to ensure that State and National leaders are well briefed and prepared for their meeting. Consideration and endorsement of the outcome statement or declaration will happen at the end of the second day.

Organization and facilitation

The Government of the FSM with the support of EU, ADB, World Bank, and SPC are organizing the Summit.

Background Documents

All meeting documents are available on the following website: [[Link](#)]