



MEDIA RELEASE

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Release of PNG NRI Discussion Paper No.168:

Economic Regulation and Electricity Reform in Papua New Guinea

The latest publication for the Papua New Guinea National Research Institute (PNG NRI) has been released as PNG NRI Discussion Paper No.168. The Discussion Paper is co-authored by John Fallon, a Senior Economic Adviser and founder of Economic Insights Pty Ltd, an Australian based economic consulting firm; and Ronald Sofo, a Research Fellow with the Economic Policy Research Program at PNG NRI.

The report reviews the current economic regulation arrangement, public policy regime and reform proposals affecting the electricity sector in PNG, and presents suggestions for improving the performance of the sector.

Access to reliable and affordable electricity remains an ongoing challenge for the majority of households and businesses in PNG, despite its vast endowment of energy assets including natural gas, hydro and renewables. Electricity, an essential service to support social and economic development, is yet to adequately penetrate the entire landmass of the country, especially the rural areas.

There are ongoing discussions about how to reform the electricity sector to best support social and economic development. Experience has shown that success in reforming the electricity sector depends on the quality and design of the regulatory framework and supporting policies, institutional capacity and the extent of economic development. With the intention to contribute to the discussions, the PNG NRI conducted a scoping study with the support from the PNG APEC Study Centre and the Australian Government through the Papua New Guinea-Australia Partnership.

The findings show that the current level of economic and institutional development in the country is not consistent with the standard reform paradigm for electricity reform. One of the dominant problems in PNG is the small proportion of population accessing electricity which highlights the issue of affordability. Expanding the electricity penetration to reach 70% accessibility target by 2030, as set in the new National Energy Policy (2018-2028), requires considerable work including planning and coordination of investments and connections. The situation is complicated by high network cost owing to dispersal of population, geographic challenges and aging infrastructure.

Furthermore, the small scale of the electricity market including three separate grids, highly limited capacity to pay by users and limited institutional capacity, reflect very limited scope for introducing effective competition. Although there is a prospect of facilitating access to the network as demonstrated by the

participation of independent power producers (IPPs) in the generation segment. As one of the pre-requisites to achieving sustainable development of PNG's electricity sector, the relevant policy and regulatory requirements should ensure revenues are sufficient to facilitate needed investment, service performance is improved, and costs are efficiently managed.

It is hoped that further studies will build on this foundation work to continue to generate empirical research to inform public thinking and strategy on how best to reform delivery of the electricity service to enhance development outcomes in the country.

The report can be accessed on the PNG NRI website: <https://pngnri.org/>. Follow us on our social media pages for discussion on this issue:

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