

# Management response to the Independent Completion Review of Australia's contribution to the multi-donor Tonga Outer Islands Renewable Energy Project (OIREP)

## Summary of management response

DFAT welcomes the findings of the Independent Completion Review of Australia's contribution to the multi-donor Tonga Outer Islands Renewable Energy Project (OIREP). The review provides valuable insights into the performance of OIREP as well as reflections on Australia's portfolio of energy investments in Tonga, and ways forward for Australia's development partnerships in the sector.

DFAT agrees or partially agrees with all seven recommendations of the Review. Further, the Review identifies opportunities for further support to Tonga's energy sector. DFAT will finalise a design for the next phase of support by the end of fiscal year 2024-25, informed by the Review and the priorities of the Government of Tonga.

DFAT thanks all stakeholders for their engagement during the drafting of this report and looks forward to making further contributions to Tonga's renewable energy targets.

| Recommendation  | Response                                  | Explanation and Recommended Action plan  | Timeframe  |
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| <p data-bbox="165 300 528 331">Recommendation One</p> <p data-bbox="165 363 801 603">To consolidate the outer island energy grid, DFAT should undertake a feasibility/ prioritisation study to assess in more detail how well current and future demand are likely to be met by existing OIREP assets, and to then consider options for further topping up and consolidating OIREP (and TREP) assets, and to further reduce reliance and cost of diesel generation.</p> | <p data-bbox="853 308 943 339">Agreed</p> | <p data-bbox="1021 248 1850 347">DFAT is committed to ongoing support to the Government of Tonga’s energy roadmap, to increase access, affordability, sustainability, and reliability of electricity and to increase renewable energy generation.</p> <p data-bbox="1021 371 1865 579">With the completion of TREP and OIREP, DFAT will commence a design for the next stage of partnership in renewable energy with the Government of Tonga. The design will consider current and future demands for off-grid and on-grid assets and the sustainability of the assets. DFAT will follow the lead of the Government of Tonga to determine needs and priority of future projects.</p> | <p data-bbox="1912 248 2085 347">New design to commence in 2024.</p> |
| <p data-bbox="165 754 528 786">Recommendation Two</p> <p data-bbox="165 818 801 1026">Working with the ADB, further clarify government plans for ongoing management of off-grid assets, and whether or not they will be handed over to the successful concessionaire (most likely TPL) on 1 July 2025.</p>  | <p data-bbox="853 699 943 730">Agreed</p> | <p data-bbox="1021 707 1469 738">DFAT agrees to this recommendation.</p> <p data-bbox="1021 762 1877 858">The Government of Tonga is working with energy sector stakeholders to finalise arrangements for the management of off-grid assets, to be endorsed by Cabinet.</p>  | <p data-bbox="1912 707 2022 738">Ongoing.</p>                        |

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| <p><b>Recommendation Three</b></p> <p>Based on the outcome of recommendation two, and assuming that ECOS will be centrally involved in the management, operations and maintenance of OIREP assets through until at least 30 June 2025, a study should be initiated by DFAT and the ADB to assess ECOS capacity – for O&amp;M, but also more broadly in terms of mobilising communities in support of climate adaptation.</p> | <p>Agreed</p> | <p>DFAT agrees to this recommendation.</p> <p>DFAT will consult with communities to understand their capacity for operations and maintenance, and to inform the next phase of our energy partnerships. The extent of Australia’s support to communities will depend on the Tongan government’s decision about oversight and management roles. The design will consider how best to support communities in their roles to maintain energy assets.</p> <p>Throughout the design process, we will share learnings and coordinate with other DFAT funded projects working to support community level climate adaptation.</p> | <p>New design to commence in 2024.</p> |
| <p><b>Recommendation Four</b></p> <p>Given the potential relevance of OIREP and TREP to DFAT programming in other Pacific nations, DFAT should commission a further study to help clarify more qualitative impacts of OIREP at household and community levels, noting such a study could be of relevance to better augmenting ADB M&amp;E in other energy co-financing agreements.</p>                                       | <p>Agreed</p> | <p>DFAT agrees to this recommendation.</p> <p>DFAT will encourage ADB to include qualitative impacts of OIREP in the Project Completion Report.</p> <p>If resources are limited, DFAT will consider commissioning a study and include TREP outcomes.</p>   | <p>End 2025.</p>                       |

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| <p><b>Recommendation Five</b></p> <p>Consider the current context and pipeline of electrical technical training in Tonga to ascertain whether there is sufficient capacity to support and localise Tonga's energy transition.</p>    | <p>Agreed</p> | <p>DFAT agrees to this recommendation.</p> <p>DFAT acknowledges the need for a stronger pipeline of technical skills training in Tonga, including for electrical technicians. This pipeline is needed to support Tonga's energy transition and broader economic development.</p> <p>DFAT is currently finalising two designs; a bilateral skills program and regional skills investment. These designs will identify activities support the technical workforce of Tonga, including for Tonga's energy transition.</p> | <p>Bilateral skills investment by end of 2024 and regional by end of 2025.</p> |
| <p><b>Recommendation Six</b></p> <p>The ADB should ensure all OIREP assets are fully certified by the Tonga Electricity Commission prior to project close, given the TEC's concern than some OIREP activities are non-compliant.</p> | <p>Agreed</p> | <p>DFAT agrees to this recommendation.</p> <p>ADB has confirmed that all OIREP assets have been certified by the Tonga Electricity Commission.</p>   | <p>Complete.</p>   |

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|---|------------------------|---|-----------------|
| <p>Recommendation Seven</p> <p>DFAT should more broadly consider whether a need exists for DFAT to prepare their own targeted M&amp;E systems when entering co-financing arrangements with the ADB, that i/ complement and augment ADB systems and ii/ ensure ease of reportability for DFAT, especially in relation to GEDSI issues.</p> | <p>Partially agree</p> | <p>DFAT (Nuku'alofa Post) agrees to this recommendation.</p> <p>Post will engage early in designs for anticipated co-financing to ensure alignment with DFAT M&amp;E standards.</p> <p>Where this is not possible, Post will prepare complementary M&amp;E frameworks as part of the grant agreement with the implementing partner.</p> <p>Broader consideration of arrangements with ADB are beyond the scope of this management response. However, the findings of the Review have been shared with DFAT teams with oversight of multi-lateral bank partnerships.</p> | <p>Ongoing.</p> |