

# Smarter Solar Procurement in the Pacific:

## Addressing lowest-cost risk



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# Australian Infrastructure Financing Facility for the Pacific (AIFFP)

Part of Australia's Pacific Step-up with Pacific Governments and private sector to design high impact, safeguarded projects and enable their delivery through up to A\$3 billion in loan financing and up to A\$1 billion in grants



# Palau Solar Plant Investment

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Australia, through the Australian Infrastructure Financing Facility for the Pacific (AIFFP), has signed a AUD31.4 million financing package with Solar Pacific Pristine Power Inc. to build a solar facility and battery storage system at Ngatpang on Babeldaob in Palau. The solar facility will connect to the Palau Public Utilities Corporation's grid network.

## AIFFP contribution

AUD31.4 million

	Amount (AUD million)	Amount (USD million)	Fixed interest rate	Tenor
Loan	\$25.7	\$18.0	4.75%	17 years
Grant	\$5.7	\$4.0	n/a	n/a

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*\*Exchange rate: AUD/0.70USD*

## Delivery partners

Solar Pacific Pristine Power Inc. (a subsidiary of Solar Pacific, a part of the Alternergy group)

# Impact

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- Palau's first utility-scale solar power plant, anticipated to deliver up to 23,000 megawatt hours per year to the grid network (~20 per cent of Palau's power needs)
- Reduces dependency on imported diesel for and move towards greater energy self-sufficiency through renewable sources.
- Demonstrating commercial viability for the development of solar projects in the Pacific
- ~150 local jobs during peak construction phase



# But first, a problem: PV Supply Chain

- Due-diligence assessment found that the proposed provider of the plant's solar modules was procuring polysilicon from factories suspected of using forced labour.
- ~ 97% of global PV solar panels may include components that may have been made by forced labour (Cockayne et al., 2022, 6).
- A range of safeguard and legal instruments have emerged to manage forced labour risks
- But could slow the uptake of solar energy...
- A wicked problem



## IPF SOLAR PROCUREMENT BIDDER DECLARATION - FORCED LABOR

### Introduction

There is a significant risk of forced labor in the global supply chain for solar panels and solar components. To support forced labor risk mitigation, the Bank requires Borrowers to strengthen solar related procurement processes by including forced labor bidder declarations, qualification requirements and strengthened contractual provision in procurements involving financing of solar panels/solar components<sup>1</sup>.

### Scope

Investment Project Financing: Borrowers must include in applicable procurement documents<sup>2</sup> that include solar panels/components for the “core functions of a project” as defined in the World Bank Environmental and Social Framework: (i) applicable provisions in the invitation for bids, instruction to bidders and qualification requirement; (ii) Forced Labor Performance Declaration; (iii) Forced Labor Declaration; and (iv) strengthened contract clause on Forced Labor.

These provisions and declaration forms must be included in procurement documents for both international as well as national competitive procurement, and any direct selection/direct contracting within the above scope. The provisions and declarations in the annexes use terms such as “bid” and “bidder” based on terms used in request for bids. The qualification requirements and the declaration terms should be adjusted depending on the applicable procurement process, such as “proposal” “proposer” and “applicant” as appropriate. See Annex I, II, III and IV.

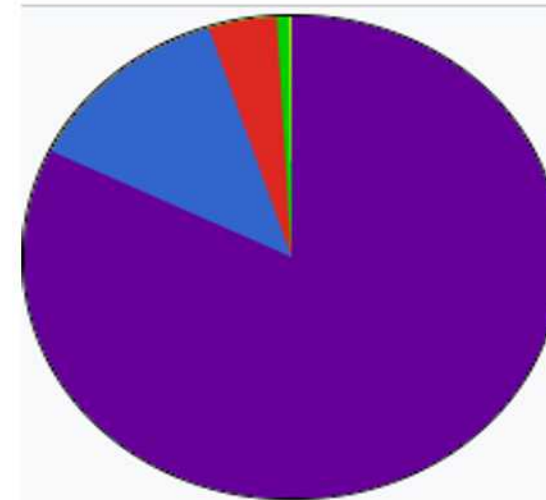
### Effective date

**All new procurement (advertised, invited or awarded through direct contracting) on or after January 1<sup>st</sup>, 2022:** (i) Annex I: applicable provisions to be included; in the invitation for bids, instruction to bidders and qualification requirements; (ii) Annex II: Forced Labor Performance Declaration; (iii) Annex

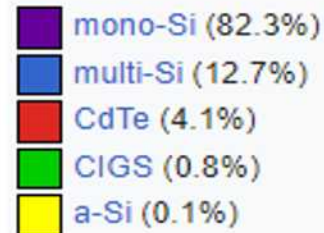
# A solution, for this project...

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- AIFFP & SPPP collaboratively initiated a second procurement
- A new supplier sourced who could demonstrate its supply chain was not exposed to modern slavery
- Cadmium Telluride, manufactured by First Solar (in Malaysia!)
- Risked making the project non-economic and leaving Palau without renewable energy capability
- Grant provided to cover additional costs.



Global PV market by technology in 2021.<sup>[2]</sup>



# Reflections

- AIFFP's blended finance loan/grant ideal for this project; not necessarily well-suited to others.
- Important 'stewardship' role investors have to play in driving change across the PV ecosystem.
- Future investments to meet global climate targets will have to deal with PV supply chains
- Clear demand for improved policy signalling from governments, and on a coordinated basis.
- Steps toward this future need to encompass not only manufacturers, investors and major solar energy buyers, but also key governments, affected communities and workers.



# Let's continue the conversation!

Post questions and comments in the IAIA23 app.

[Read more:](#)

[Palau Solar Investment Case Study:](#)

[https://www.aiffp.gov.au/sites/default/files/2022-10/website\\_final\\_-\\_palau\\_solar\\_case\\_study.pdf](https://www.aiffp.gov.au/sites/default/files/2022-10/website_final_-_palau_solar_case_study.pdf)

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