



Fiji Labour Party

Submission

Proposed new Energy Fiji Ltd Tariff Structure

EXECUTIVE SUMMARY

The recent controversy surrounding the tariff restructure as proposed by Energy Fiji Limited (EFL) and its endorsement by the Fijian Competition & Consumer Commission (FCCC) has brought to the surface the inevitable pitfalls of partially privatising the state-owned enterprise without the adequate safeguards, procedures and public awareness.

EFL is a partially privatised state-owned enterprise where the state has retained 51% ownership while Sevens Pacific Pte Ltd (a private company) owns 44%. The remaining 5% is owned by account holders. The operations of EFL and the role of the regulator for the electricity sector is governed by the Electricity Act 2017 (the Act). The FCCC is the independent regulator.

However, despite the FCCC's intervention in assessing the recent proposed tariff increase, it is clear that the public has felt that the FCCC has not made the right judgement. Advocacy groups such as The Fiji Commerce & Employers Federation (FCEF) have voiced concerns of the price hike as part of the public consultation. It is unfortunate that the government and the FCCC sided with the corporate interests of EFL without attempting to effectively consult with the public. The result has been a public backlash and an erosion of trust between the public and EFL, the government and the FCCC.

The Fiji Labour Party, therefore, calls for a Commission of Inquiry (COI) by the government before any tariff restructuring can be considered. The COI would investigate the divestment, partial privatisation and recent operations of EFL and the regulation process. The controversies around the de-nationalisation of EFL and its underperformance in recent years, including its failed promise to invest in renewable energy, have eroded public confidence. Furthermore, the public is evidently questioning the ability of the FCCC to impartially act as regulator.

The marrying of corporate interests and those of the public, including protecting the most vulnerable, would require all parties to be on the same page. Presently, the public seems to be questioning the status quo. To ensure the partial privatisation functions harmoniously and effectively going forward, a COI carried out in good faith is needed to restore public confidence. The findings of the commission can be used to

negotiate better parameters for regulation that safeguard the needs of the public, ensure investment goals are met and improve macroeconomic outcomes that would in turn justify price increases and better returns on investment for shareholders.

OBJECTIVES OF A COI

1/ The divestment and partial privatisation of EFL

In 2018, The Fiji Electricity Authority (FEA) was corporatized and EFL was created as a limited liability company. In 2019, The Fiji National Provident Fund (FNPF) acquired a 20% stake in EFL for FJ\$206 million with another 24% allocated for a strategic private sector investor. In 2021, the Fiji government sold the 24% shares to Sevens Pacific for FJ\$209.9 million. At the same time, FNPF also sold its shares to Sevens Pacific. The Minister of Economy at the time stated that a corporate partner would allow EFL to “harness private sector expertise, innovation and efficiency in new ways and accelerate the expansion of clean and renewable energy” (FT, April 2018). It was stated that after an “exhaustive” search and with advice from ANZ Corporate Advisory and international law firm, Squire Patton Boggs, Sevens Pacific, a Singaporean based and Japanese owned firm, was chosen. However, they have not performed as expected in terms of reducing operational costs and investing in renewable energy.

Questions that arise that a COI would investigate are:

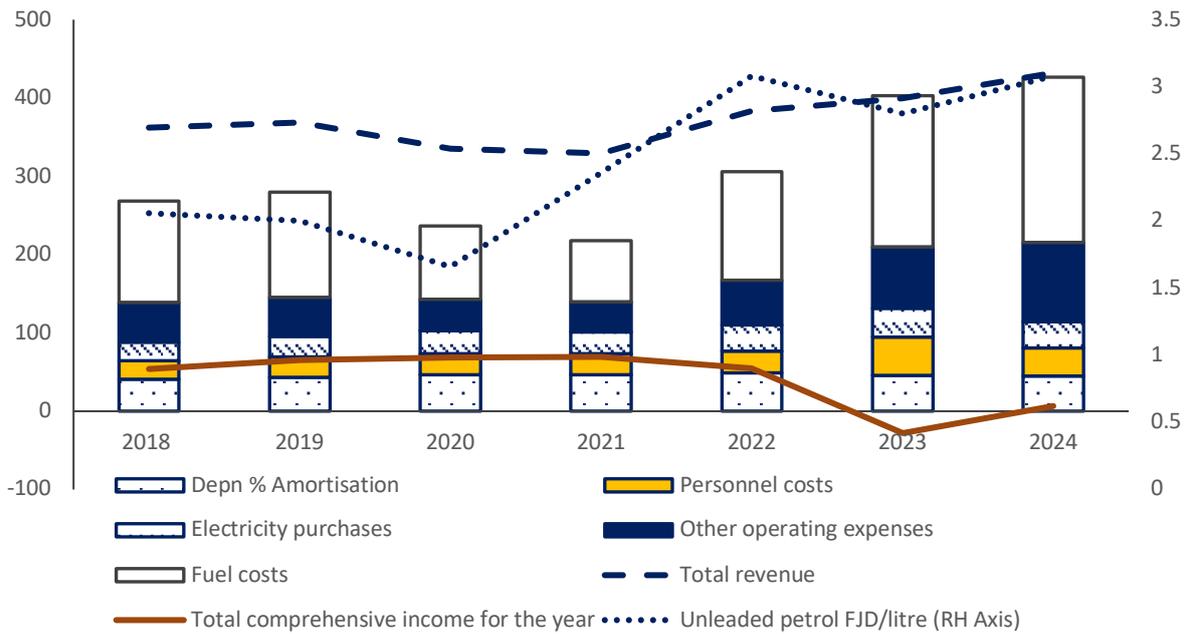
- 1/ Did Sevens Pacific Pte Ltd fit the requirements for a corporate partner, who were the other contenders and what did they bring to the table?
- 2/ How were the interests and needs of the Fijian public articulated in discussion with Sevens Pacific?
- 3/ What was the extent of the agreement made between parties notwithstanding the stipulations of the Act?
- 4/ In hindsight, was the divestment necessary?

2/ EFL operations since 2021

In the EFL 2021 Annual Report, it is stated that Sevens Pacific would “contribute with their operational expertise and experience”. However, it is not clear that their contribution has improved operations. Furthermore, EFL has fallen behind its 10-Year Power Development Plan (PDP).

EFL financials since partial privatisation in 2021 show less profits. Figure 1 below outlines income and expenses before and after partial privatisation.

Figure 1. EFL Financials (FJDm)



Revenue has increased since partial privatisation. Fuel costs have also increased, however, so have personnel costs and other operating costs. Furthermore, despite losses, dividends were paid to shareholders (including the government). Figure 2 below outlines dividends versus profits.

Figure 2. EFL dividends

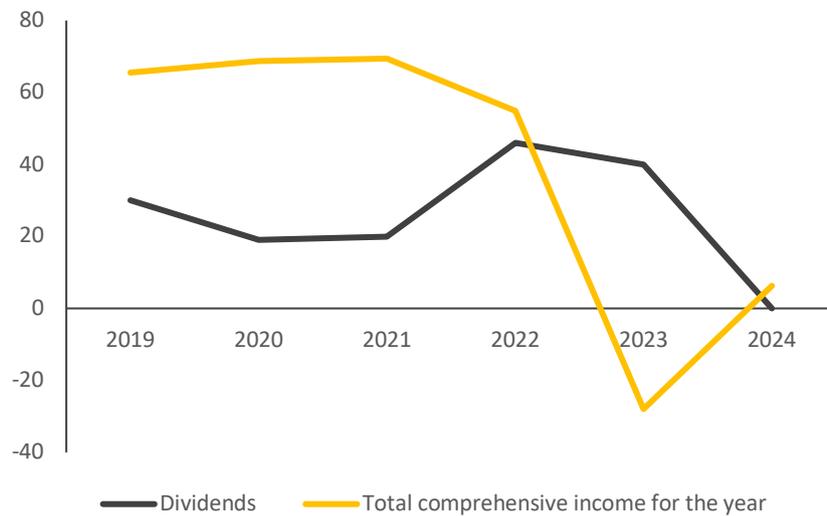
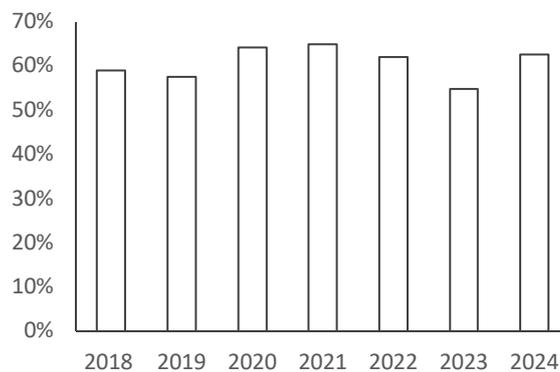


Figure 2 shows that dividends increased for 2022 and 2023 even when profits were dropping in 2022 and negative in 2023. It is unlikely that retained profits were used to pay dividends and therefore, dividends were likely financed through debt. This would contravene s207 (1) of the Companies Act 2015: “A dividend may only be paid out of profits of the company” and would need to be investigated.

Furthermore, there has not been any investment in renewables. In the 2021 and 2022 annual reports, it was stated that 90% renewable energy would be achieved by 2025. In the 2023 and 2024 annual reports, the date was extended out to 2035 without explanation as to why such a drastic recalculation had been made.

Hydro power from Monasavu and Nadarivatu, developed before corporatisation of EFL (FEA in those days), continue to provide the vast majority of Fiji’s renewable energy with IPOs (Tropik Wood, Nabou and Fiji Sugar Corporation) contributing about 10-15% of renewables. The renewable energy contribution of total energy contribution is outlined in figure 3 below.

Figure 3. Percentage of Renewable Energy



The renewable energy contribution to the energy supply has not changed as very little investment in renewables has been made in Fiji in recent times and none at all by EFL.

EFL had performed quite consistently prior to the partial privatisation. However, since 2021, anomalies have occurred such as excessive dividends, extraordinary expenses and altered investment goals, all without explanation. A COI would clarify Sevens Pacific’s operations. It is unclear if the EFL internal audit process has been adequate and effective.

3/ FCCC

It appears that the FCCC has failed in its role as regulator. It has been heavily criticised for approving the price structures as outlined in tables 1 and 2 below without public consultation.

Table 1. Proposed domestic tariff structure

Monthly Consumption (kWh)	Current (cents/kWh)	Proposed increase				Total Increase
		July 2025	July 2026	July 2027	July 2028	
Step 1: 0–100	34.01	35.03	36.05	37.10	38.19	12.3%
Step 2: 101–300	34.01	38.44	39.56	40.72	41.91	23.2%
Step 3: 301+	34.01	40.74	41.93	43.16	44.42	30.6%

Table 2. Proposed commercial tariff structure

Monthly Consumption (kWh)	Current (cents/kWh)	Proposed increase				Total Increase
		July 2025	July 2026	July 2027	July 2028	
0–1,000	40.99	45.09	46.41	47.77	49.18	20.0%
1,001–5,000	40.99	51.24	52.74	54.29	55.89	36.4%
5,001–10,000	40.99	61.27	63.08	64.95	66.86	63.1%
10,001–14,999	40.99	68.93	70.97	73.07	75.23	83.5%
≥15,000	42.95	68.93	70.97	73.07	75.23	75.2%

The increases range from 12.3% to 75.2%. However, the methodology used to determine these new prices is unclear. Moreover, the role of the FCCC has been compromised for the following reasons:

i) It is evident that the current tariff is too high for low income earners as demonstrated by the ongoing subsidy of almost \$10m for them by the government. Therefore, it appears that the regulator has failed to align its new pricing structure with s6 (4) of the Act – “the Minister or the Regulator must take into account the interests of consumers of electricity with limited or restricted incomes”. EFL is increasing the price of electricity, and the FCCC is allowing it, despite knowing that a sector of the market (low income earners) cannot meet the price increase as they cannot even pay the current prices. EFL is expecting the government to provide subsidies, therefore, actively soliciting corporate welfare. Furthermore, such pricing creates price distortions that hinder free market enterprise. In a non-competitive environment in a developing country like Fiji where poverty is prevalent, the regulator must do better in upholding the interests of the state and facilitating a more resilient market environment.

ii) In adherence to s3 (a) of the Act – “protect the interests of consumers”, and given that EFL should otherwise have the revenue and the capacity for debt to continue to finance the supply of electricity and adequate capital expenditure, the FCCC should have taken into consideration the excessive increase in the cost of living over the last decade, which has been exacerbated by the recent increases in VAT and corporate tax, and not allowed the new price structure. This excessive increase in the cost of living has negatively impacted consumers and businesses. The rise in tariffs proposed would add to the hardship of many households and SME’s, and negatively impact the economy by hindering consumption and domestic business activity while potentially adding to inflation if businesses were to pass on increased expenses to the consumer.

EFL is in a sound position with strong revenue and debt headroom. With improved operations, as promised, and expected reduced fuel prices in 2026, cash flow should improve and allow for increased capital expenditure without the increase in tariffs or at least without such excessive increases in tariffs as proposed.

iii) The justification by FCCC that increased prices are needed to entice foreign investment into independent power producers (IPPs) in Fiji is a blatant manipulation of the market that privileges the corporate sphere over a public good.

A COI into EFL and its regulator would better outline the role of the regulator in the Fijian energy sector. It could also look into the adequacy of the Act to regulate the

sector given this unusual and complicated scenario where private foreign shareholders' interests and those of the general public, especially the most vulnerable, often clash.

CONCLUSION

The Fiji Labour Party advocates for a COI into EFL. The findings of which can be used by the government to negotiate to implement better mechanisms to ensure that EFL is held accountable, goals are being met and that the regulator can better meet the needs of all stake holders. This would ensure a better relationship between the public and EFL going forward and improve trust.

EFL operates as a monopoly while also providing an essential service. However, partial privatisation has created the scenario where there is a conflict between the private element of the company, which must operate in the best interest of its shareholders, and the government's responsibility to ensure that this essential service is accessible to all echelons of society. Furthermore, Fiji is a developing nation with prevalent poverty, a struggling small business sector, and an unsustainable petrol import bill which drains Fiji's limited foreign exchange. The complexities of these set of circumstances, i.e., the juxtaposition of corporate interests, the provision of basic human rights to all members of society and the macroeconomic needs of the nation, need to be understood.

The lack of transparency around the de-nationalisation of EFL, its failures as a partially privatised and state-owned enterprise, its ongoing attempts to increase prices and the quick and non transparent manner in which this recent price increase was approved by FCCC has all led to a distrust towards EFL and the FCCC. Exacerbating the situation is the continuing attempt to deceive the public through rhetoric and deceptive figures and misleading media releases such as the FBC article on December 19th with the title – "New power tariff to hit high users".

While inflation has increased over the last three years which would normally warrant an increase in tariffs, the eroding trust in EFL and the regulator calls for the minister to intervene to establish a COI into the whole saga before a price restructure can be considered. While understandably Fiji has just endured a COI and despite the fact that COI's cost money and are time consuming, it is necessary to carry out another one into EFL given the gravity of the situation.

The findings of a COI could i) ascertain whether there are adequate safeguards in place to hold EFL accountable in terms of performance and investment goals, ii) determine whether the Act is adequate in ensuring proper regulation of the sector, iii) better define the role of the regulator to ensure that corporate interests do not compromise the rights of the people of Fiji, iv) allow for a better understanding of the macroeconomic impact of pricing in the energy sector, and v) improve trust and a better relationship between EFL and the public such that the needs of all stake holders, shareholders and the public alike, can be met and sustainable going forward.