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“Energizing the Territories: Promoting Affordable and Reliable Energy
Sources for the U.S. Insular Areas”
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Introduction & Background

Good afternoon, Chairman Hageman and other members of the Subcommittee on Indian and Insular Affairs. Thank you for the opportunity to testify on behalf of the United States Virgin Islands relative to the ongoing and future impacts the Biden-Harris administration’s energy policy is having on the territory. My name is Kyle Fleming, Director of the Virgin Islands Energy Office (VIEO) and Chairman of the Governing Board of the Virgin Islands Water & Power Authority (VIWAPA).

The USVI comprises of three main islands in the Caribbean, with a total area of 133 square miles, about twice the size of Washington D.C. The islands of St. Croix, St. John, and St. Thomas house nearly all the territory’s 90,000 residents. And while the VI is truly an American paradise, we are also positioned on the front-line of climate change which has been highlighted by the deterioration of our fragile marine ecosystems and the growing intensity of the annual hurricane season. For reference, USVI was struck by two Category 5 hurricanes in 2017, Hurricanes Irma and Maria, and these back-to-back storms caused significant damage to most of USVI’s electric distribution system, power-generation, and transmission substations. Although Hurricanes Irma and Maria arrived more than six (6) years ago, high electricity costs and power instability from these storms continue to hamper the Virgin Islands economic recovery. Energy remains the single most comprehensive and critical factor to be addressed for our territory’s future. Systemic energy instability has direct and indirect negative impacts on sustainable economic development. Additionally, it has been proven that disruptions to the electrical system may magnify existing societal vulnerabilities and tensions for families and in the delivery of government services.

Despite the USVI's small footprint, reliable and affordable energy supply has proven to be a complicated endeavor. The Virgin Islands Water and Power Authority (WAPA) has the sole responsibility of producing electricity, primarily through imported petroleum products, and distributing electricity to approximately 55,000 residential and commercial customers. In summary, the challenges of the territory's energy landscape faces are as followed:

1. USVI's heavy reliance on imported fossil fuels for electricity generation, which not only contributes to high energy costs but also leaves the USVI vulnerable to supply disruptions and price fluctuations in global fuel markets.
2. Geographical constraints such as complex and heavily vegetated topography, subsea transmission cables, and limited land availability, present logistical challenges to centralized generation and distribution of energy at scale.
3. The need for holistic energy transition planning and modeling rather than reactionary energy investments aimed to mitigate immediate energy emergencies.
4. The high upfront costs of the energy transition within an island network that requires a significant investment in infrastructure and grid modernization to fully realize the positive impacts of the transition.
5. Finally, regulatory and policy barriers that hinder the adoption of alternative energy, including outdated regulations, permitting processes, and limited access to traditional financing.

Despite these challenges, there is an ever-growing recognition of the urgent need to transition to a cleaner, more resilient distributed energy system in the U.S. Virgin Islands, driven by both the potential for long-term economic sustainability and territorial transformational growth. The U.S. Virgin Islands are well-positioned to leverage the high impact potential of a comprehensive energy transition. The Virgin Islands have access to extensive renewable energy resources that when paired with efficient thermal generation and managed by energy storage innovations will fast-track the reduction of costly imported fossil fuel. Limiting fossil fuel dependence, for both electricity generation and transportation needs, will have the most immediate effect on providing energy burden relief within our community.

Reducing the price of America's Paradise by creatively deploying innovative and disruptive solution sets that address the unique realities of attaining sustainability within a remote island nation is at the core of the Virgin Islands energy strategy. The Biden-Harris energy policy has played an integral role in providing the USVI with a once in a generation opportunity to convert this strategy into implementable

near-term shovel ready projects that will redefine the energy landscape of the Virgin Islands.

Territory Impact from Biden Administration Energy Policy:

The Inflation Reduction Act, signed by President Biden on August 16, 2022, marked a historic moment in U.S. clean energy and climate policy. The IRA built on the foundational climate and clean energy investments in President Biden's Bipartisan Infrastructure Law. The passage of these landmark federal laws could not have come at a more crucial time in the U.S. Virgin Islands history. As we find ourselves six years removed from the 2017 hurricanes, which highlighted the vulnerability of our island's energy system. The IRA has been heralded as the most significant climate legislation in U.S. history, offering funding, programs, and incentives to accelerate the transition to a clean energy economy and will drive significant deployment of new clean electricity resources. These federal initiatives resonate with the Virgin Islands and Governor Albert Bryan's strategy to alleviate the energy burdens of the territory through innovative energy solutions. The alignment of these visions underscores a shared Territorial and Federal commitment to a sustainable and resilient future.

The Virgin Islands are focused on the development and implementation of sustainable energy policies, programs, and projects. The windfall of clean energy funding, under the IRA & BIL, facilitates the fulfilment of the territory's mission and more importantly, ensures that meaningful and tangible impacts are realized across our territory. The territory's impact potential because of the Biden-Harris Energy Policy spans a range of policy areas and to date, many have already come to fruition.

State Energy Program (DOE)

The State Energy Program (SEP) is a formula-based funding opportunity that the Virgin Islands has historically leveraged to support small-scale energy programs, limited by funding allotments which were budgeted at approximately \$300,000 annually. Under the Bipartisan Infrastructure Law, the Virgin Islands received a bolstered allocation of \$2.59 Million to support our state energy programs. The SEP funding augmentation has enabled an expanded portfolio of locally available energy incentive programs. To include an Equitable E-Mobility Rebate Program designed to lower the cost of electric vehicle adoption as well as a Battery Energy Storage Rebate Program designed to bolster energy resilience through home-based battery adoption.

Energizing Insular Communities (DOI)

The Department of Interior’s Office of Insular Affairs (OIA) serves as a steadfast advocate for all insular territories. The Virgin Islands have leveraged competitive grant awards under the OIA’s Energizing Insular Communities (EIC) Program to support the development of micro-grids at critical infrastructure across the territory. The true impact of this funding source has been limited by funding allotments, but fortunately under the Biden-Harris Administration, the territory has seen funding augmentations here as well. For reference the Virgin Islands received \$625,000 in 2019 under the EIC; by comparison in 2023 the territory was awarded \$3.93 Million. These funds will support the development of additional micro-grids at critical infrastructure, procurement of electric vehicles within the government fleet, and deployment of renewably powered DC fast-charging stations to support the growing penetration of electric vehicles within the territory.

Solar For All & Loan Program Office

Of the many funding opportunities made available to the territory under the IRA, the impact potential of EPA’s “Solar for All” (SFA) grant stands above them all. On June 28th, 2023, EPA launched a \$7 billion grant competition through President Biden’s Investing in America agenda to increase access to affordable, resilient, and clean solar energy for low-income households. In October of 2023, the VIEO submitted a proposal requesting \$100 Million in SFA funding to support the deployment of Residential Rooftop Solar, Community Solar Programs, and associated Battery Energy Storage. When aggregated, these technologies will be leveraged to create Virtual Power Plants (VPP) that provide both direct and distributed energy savings and grid resilience to the territory’s grid. These solutions have the power to reshape the energy market of the US Virgin Islands and expeditiously propel the territory towards a sustainably powered future.

The Virgin Islands has been actively pursuing the expanded program eligibility and loan authority of the U.S. Department of Energy’s Loan Program Office under the Biden-Harris administration. This has provided an opportunity for the Virgin Islands to approach holistic energy solutions with an affordable and sustainable financing mechanism that did not exist before. Coupling comprehensive energy transition strategy with financing mechanisms such as the LPO would unlock territorial benefits that have historically been limited to pages within planning reports.

Conclusion

In closing, transcending the geographical challenges inherent in sustaining energy access to the remote insular territories requires a custom-tailored approach to energy transition planning and implementation. While the challenges of territory are uniquely nuanced, The Biden-Harris energy policy provides augmented funding, technical support, and insular prioritization that enables the Virgin Islands to define and implement our energy future through a modern-day lens.