

Chair's Summary

Expert Working Group on Energy Connectivity 13 December 2017, Bangkok

Distinguished Chair of the Regional Preparatory Meeting,

Distinguished Delegates,

The Expert Working group on Connectivity discussed on 13 December the challenges and opportunities for moving forward regional power interconnection. The Working Group hopes that this will serve as an input for the development of a Regional Roadmap on Cross-Border Electricity Connectivity.

The Director of ESCAP's Energy Division opened the meeting by giving a background on the current status quo of cross-border energy connectivity in Asia and the Pacific, highlighting the electricity sector as the potential corner stone in facilitating the transition of regional energy systems to attain sustainable development. Connectivity could also mitigate pressing challenges such as the significant growth of regional energy demand and regional energy security issues.

The Chair of the Expert Working Group on Energy Connectivity, Ms Wei of the National Energy Administration, China, underlined the necessity of green development and of securing reliable, affordable, sustainable, and modern energy for all. Cross-border electricity connectivity benefits include optimization in the allocation of energy resources that helps to connect energy rich and poor countries, formation of a strong power system in order to improve power supply, and meeting growing demand. Moreover, she highlighted that the EWG should be taken as a great opportunity to establish a permanent expert network.

The following discussion of the EWG identified the major challenges for regional connectivity which can be grouped in four categories:

- **Political:** lack of trust and political will to collaborate, energy security challenges related to concerns about energy dependency; Lack of a regional multilateral institutional mechanism to facilitate cooperation among countries; conflicting national interests among member states;
- **Financial:** lack of investment and financial support for cross-border electricity projects; the necessity to attract FDI and financing from international banks to boost the development of power sector
- **Economic and Power market development:** National impediments to the promotion of power trade; Legislative restrictions on electricity trading through the national boundaries; Capital intensive cross border inter-connection infrastructure,
- **Technical and legal:** different technical standards for transmission grids; difference in legal and regulatory frameworks; lack of Independent dispute resolution mechanisms; need to harmonize rules and regulations among member states; provision of non-discriminatory open access in transmission infrastructure for multinational connectivity; lack of institutional and human capacity and the need for capacity building activities

Given that major players in the energy market are state owned entities, overcoming political challenges is an especially important step in energy market development and regional integration. The EWG members cited good practices implemented by their respective governments, as well as multilateral regional power cooperation initiatives. They highlighted the importance of ongoing bilateral cross-border connectivity initiatives that have a potential to be expanded to sub-regional and regional level.

The second session focused on reviewing the region's progress towards energy connectivity and regional integration. The Secretariat introduced a presentation on the potential of cross-border electricity connectivity, noting the existing achievements and gaps.

EPPEI presented a proposal on developing a regional roadmap on energy connectivity which covered existing connectivity arrangements among Asia-Pacific member States and highlighted existing favorable conditions for power interconnection in the sub-regions. The platform provided by ESCAP can be used as the building block to tackle energy connectivity challenges on governmental, expert and private sector levels.

In the open discussion, the EWG members made the following suggestions: economic cooperation and trade could serve as the first building block for countries to develop cross-border power interconnection (following the successful example of European, Southeast Asian and African power entities). The need to develop a unified regulatory framework and policies in order to address the existing challenges in power connectivity was also noted. For instance, the first step could be a careful analysis of ongoing power connectivity projects, their ranking in terms of benefits and selecting the first priority projects that could be most beneficial for the whole Asia-Pacific region. It was also highlighted that a change in the mind-set of policy makers is needed to build trust.

Moreover, it was suggested to conduct joint feasibility studies, to explore the option of a multilateral dispute settlement mechanism, to elaborate a model of unified energy market design, a technical interconnection blueprint, and to stipulate the security guarantees to address energy security issues. In addition, the EWG members highlighted the necessity to diversify the energy mix in particular renewable energies in the context of regional connectivity and to explore the potential of innovative energy storage technologies.

In the final session, the meeting discussed the *Future Work Programme of the Expert Working Group*. The Secretariat introduced the proposed Terms of Reference and the Work Plan for further discussion. The proposals stress the need to engage experts from member states in research that would support the development of a Regional Roadmap on Cross-border Electricity Connectivity. This is especially important since the outputs of the EWG will be utilized in preparing reports for the intergovernmental discussions at the Committee on Energy and the second APEF meeting in April 2018. The EWG reviews the proposed ToR and Work Plan and suggested to involve the experts to further develop the concept and outline of the study.

The EWG agrees to propose to the RPM to include in the draft ministerial declaration to develop the regional roadmap through joint studies and present the regional roadmap at the second session of the Committee on Energy.

I thank you Chair for the time to share this summary for your consideration.