

# EWG Energy Connectivity: Challenges

# Challenges

Political - fragmented interest of stakeholders

Upfront investment

Quantifying benefits of cross-border electricity connectivity (economic, social and environmental benefits)

Mechanism to manage and operate cross-border electricity connectivity

Different legal and regulatory capabilities among member States and lack of transparent governance structure

Mechanism to balance gains with overall costs among stakeholders.

Human resources....

## Political

- ▶ Fragmented political support and lack of common vision
- ▶ Geographically specific infrastructure requirements result in value creation for one group of people over the rest
- ▶ Relatively inelastic energy demand and a resulting intolerance against potential disruption in service impacting a large population
- ▶ Uncertainty about overall benefits of cross-border electricity connectivity

## Investment

- ▶ Significant requirement for upfront investment
- ▶ Long payback period of cross-border electricity connectivity
- ▶ Difficulties to mobilize investment from private sector if energy markets are dominated by state ownership, as underlying institution regulatory and policy frameworks are not conducive

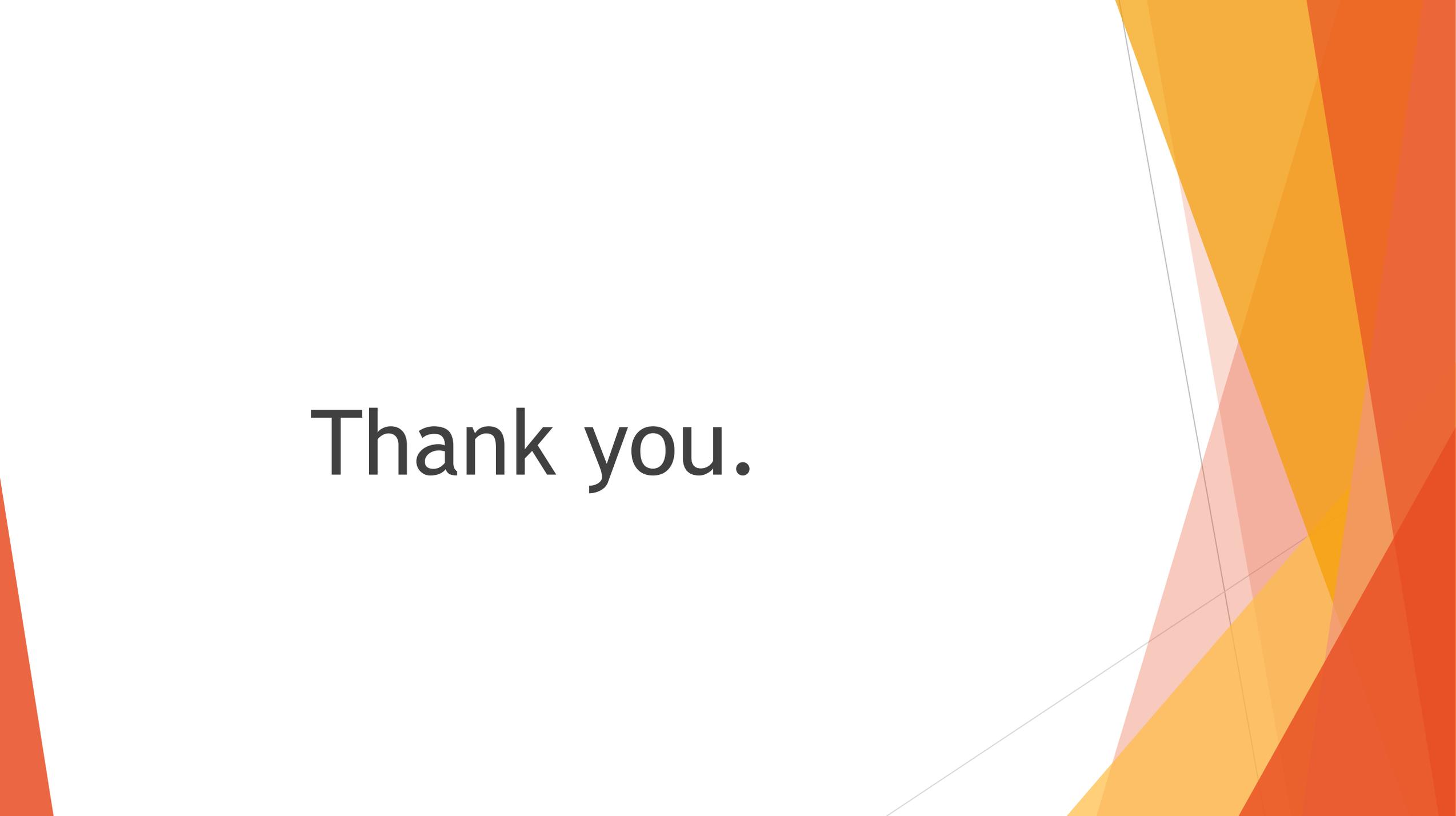
## Technical and Institutional Capacity

- ▶ Different legal and regulatory capabilities among member States and lack of transparent governance to manage and operate cross-border electricity connectivity
- ▶ Lack of rules and regulations in dealing with externalities and means to measure the impact of externalities.
- ▶ Lack of coordination of policies, standards and codes
- ▶ Lack long term direction towards designing a market system fitting the needs of the region
- ▶ Absence of a robust institutional mechanism balancing gains with overall costs between different stakeholders
- ▶ Lack of consensus in defining a comprehensive model of integration and satisfying interest of the whole region
- ▶ Human resource capacity

# Discussion:

- ▶ What are the persistent challenges that inhibits the promotion of cross border power connectivity (common regional challenges and subregion specific challenges) in the context of sustainable development
- ▶ Concrete examples to demonstrate the challenges
- ▶ Good practices in addressing persistent challenges.

Thank you.

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